Management's Discussion and Analysis

For the Three and Nine Months Ended September 30, 2017

"Growth through sustainable cash flow"

www.mosaiccapitalcorp.com
400, 2424 – 4th Street SW, Calgary, Alberta T2S 2T4 | Telephone 403-218-6500 | Fax 403-266-1541

INDEX

INTRODUCTION....1
FORWARD-LOOKING STATEMENTS....1
NATURE OF OPERATIONS....1
VISION AND STRATEGY....2
SELECT FINANCIAL HIGHLIGHTS....3
OUTLOOK....4
RESULTS OF OPERATIONS....4
SUMMARY OF QUARTERLY RESULTS....10
LIQUIDITY....10
CAPITAL RESOURCES....17
CAPITAL MANAGEMENT....21
FINANCIAL INSTRUMENTS....23
OFF-BALANCE SHEET ARRANGEMENTS....25
TRANSACTIONS WITH RELATED PARTIES....25
SUBSEQUENT EVENTS....26
PROPOSED TRANSACTIONS....26
CRITICAL ACCOUNTING ESTIMATES....26
BUSINESS RISKS AND UNCERTAINTIES....27
CHANGES IN ACCOUNTING POLICIES....27
NON-GAAP MEASURES....28
ADVISORY REGARDING FORWARD-LOOKING STATEMENTS....31

[Remainder of page intentionally left blank]

INTRODUCTION

This management's discussion and analysis ("**MD&A**") for Mosaic Capital Corporation's ("**Mosaic**" or the "**Company**") financial condition, results of operations and cash flows for the three and nine month periods ended September 30, 2017, should be read in conjunction with Mosaic's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 and 2016, the audited consolidated financial statements for the years ended December 31, 2016 and 2015, the annual MD&A for the year ended December 31, 2016 and the annual information form ("**AIF**") for the year ended December 31, 2016. The three-month periods ended September 30, 2017 and 2016 are herein referred to as "**Q3**". The financial statements have been prepared in Canadian dollars, in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was prepared effective November 14, 2017.

Additional information relating to the Company, including the AIF, are available under Mosaic's profile on SEDAR at www.sedar.com and on the Company's website at www.mosaiccapitalcorp.com.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements based on certain expectations, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. For additional information refer to the *"Advisory Regarding Forward-Looking Statements"*.

NATURE OF OPERATIONS

Mosaic was incorporated under the *Business Corporations Act* (Alberta) on February 11, 2011. The Company's head office is located at 400, 2424 - 4th Street SW, Calgary, Alberta, T2S 2T4.

Through controlling ownership of its subsidiaries, Mosaic operates in four business segments, providing a diversified array of products and services to a number of industry sectors across Canada and parts of the United States.

	Infrastructure	**Diversified**	**Energy**	**Real Estate**
Industry Sectors	Construction, Agriculture, Natural Resources, Energy	Manufacturing, Natural Resources, Energy, Agriculture, Transportation	Energy Services	Commercial, Industrial
Products and Services	• mechanical equipment provisioning & installation • cement-based toppings & waterproof solutions • construction, renovation, restoration & remediation services • pre-cast product distribution • maintenance services	• precision metal fabrication • molding solutions • scaffolding solutions • commercial printing • industrial supply	• waste water treatment • water treatment • cathodic protection • environment containment systems	• rental property ownership • land development

The Company's common shares and convertible debentures are listed on the TSX Venture Exchange (the "**TSXV**") and trade under the symbols "M" and "M.DB", respectively.

VISION AND STRATEGY

Mosaic is a public investment company that owns a portfolio of established small to medium-sized private Canadian businesses ("**SME's**") that have demonstrated track records of generating operating cash flow. Mosaic's strategic objective is to create long-term value for its investors and business partners through growing a sustainable cash flow vehicle. Mosaic plans to achieve this through acquiring industry and geographically diverse businesses at attractive prices. Acquisition and post-operational execution risks are mitigated through extensive due diligence, creative transaction structuring, diversification and active post-acquisition management support with identifying and implement operational efficiencies and to take advantage of growth opportunities.

According to Innovation, Science and Economic Development Canada (Small Business Branch), in 2016 three in five business owners of SME's are over 50 years old. Statistics Canada estimates the number of people over the age of 65 currently represents 16% of the Canadian population (double the proportion in 1971). This percentage is expected to grow to approximately 20% and 25% by 2025 and 2035, respectively. Analysts have roughly estimated the market opportunity available for the SME universe to be in the $3.0 billion range. The forecasted increasing succession of aging SME business owners looking for liquidity, often in the form of an exit or a partnership, should provide many acquisition opportunities for Mosaic that meeting its investment criteria.

Mosaic's management team has extensive breadth and depth of experience gained through many years of involvement in numerous aspects of business, including venture capital and private equity investing, operations, fund management, public and private mergers and acquisitions transactions, corporate restructurings, financings and corporate turnarounds. This experience allows Mosaic to acquire SME's with capable management teams whom Mosaic works to improve and grow their operations. Mosaic provides its operating subsidiaries with strategic, business, financial, human resource, accounting and legal expertise while at the same time giving the subsidiaries' management teams the autonomy to continue to operate their respective businesses.

Mosaic acquires a control position, which enables it to exercise the rights of ownership in making strategic decisions, allocating investment capital and managing risk. Mosaic typically does not get involved in the daily operating decisions.

Mosaic works with its subsidiary management teams to identify acquisitions that would facilitate entry into new markets or increase product or service offerings. Mosaic is actively looking for SME's in a variety of industries that fit its investment criteria.

Acquisition criteria for such SME's include the following:

- a demonstrated history of growing sustainable cash flow in an industry which, Mosaic believes, has long-term growth potential;
- a capable and experienced management team that is growth oriented;
- a significant market share;
- a sustainable competitive advantage; and
- an ability to grow the business.

Management believes in the alignment of interests among all Mosaic stakeholders including its customers, suppliers, employees, management, subsidiary company partners, debt holders and equity investors. Management owns approximately 40% of the outstanding common shares of Mosaic as at September 30, 2017. Furthermore, subsidiary company partners, typically retain between 10% and 30% ownership of their respective businesses.

SELECT FINANCIAL HIGHLIGHTS

Financial Results

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**$ 95,656**	$ 57,811	65%	**$ 223,491**	$ 146,325	53%
Adjusted EBITDA [1]	**$ 12,220**	$ 7,051	73%	**$ 22,832**	$ 17,178	33%
per share	***$ 1.19***	*$ 0.84*	41%	***$ 2.38***	*$ 2.06*	16%
as a % of revenue	***12.8%***	*12.2%*		***10.2%***	*11.7%*	
Net income	**$ 8,014**	$ 3,179	152%	**$ 16,626**	$ 9,610	73%
Net income attributable to equity holders	**$ 5,499**	$ 1,782	209%	**$ 12,073**	$ 5,987	102%
per share	***$ 0.39***	*$ (0.18)*	317%	***$ 0.84***	*$ (0.46)*	283%
Free Cash Flow [1]	**$ 6,166**	$ 4,168	48%	**$ 10,149**	$ 10,657	-5%
per share	***$ 0.60***	*$ 0.50*	20%	***$ 1.06***	*$ 1.28*	-17%
Preferred securities distributions declared	**$ 1,512**	$ 3,255	-54%	**$ 5,493**	$ 9,794	-44%
Common share dividends declared	**$ 1,114**	$ 864	29%	**$ 3,318**	$ 2,590	28%
per share	***$ 0.105***	*$ 0.100*	5%	***$ 0.310***	*$ 0.300*	3%
Preferred Distribution Payout Ratio [1]	**25%**	63%		**51%**	58%	
Combined Payout Ratio [1]	**43%**	84%		**84%**	82%	
Weighted avg. common shares outstanding	**10,252,000**	8,347,000		**9,591,000**	8,347,000	

Financial Position

(in $000s, except as noted)	**Sep 30, 2017**	Dec 31, 2016
Cash and cash equivalents	**$ 15,709**	$ 24,938
Working capital)	**$ 60,510**	$ 23,477
Total assets	**$ 313,253**	$ 275,930
Loans and borrowings	**$ 95,508**	$ 48,074
Liabilities settleable with equity	**$ 22,750**	$ 13,162
Equity	**$ 95,458**	$ 125,452
Non-controlling interest	**$ 50,283**	$ 43,051
Common share and other securities outstanding:		
Common shares	**10,282,789**	8,345,657
Common share purchase warrants	**17,026,000**	-
Convertible debentures	**13,124**	15,626
Options and restricted share units	**779,793**	692,112

Notes:

(1) Adjusted EBITDA, Free Cash Flow, Preferred Distribution Payout Ratio, and Combined Payout Ratio are not recognized measures under IFRS. Refer to *"Non-GAAP Measures"*.

For the three months ended and as at September 30, 2017, Mosaic:

- increased revenue by 65% over the same period in 2016, driven by the acquisition of new portfolio companies and improved business conditions for certain portfolio companies exposed to the energy sector;
- increased Adjusted EBITDA by 73% over the prior year period with strong contributions from recent acquisitions and improved profitability levels within certain western Canadian based businesses;
- increased Free Cash Flow by 48% over the same period in 2016;
- delivered a Combined Payout Ratio of 43%, which represents a material improvement over the 84% realized in the prior year period;

- maintained a healthy balance sheet with $15.7 million in cash, $60.5 million in working capital and Total Debt (defined herein) to EBITDA leverage of 1.80; and

- subsequent to quarter end, Mosaic closed the $27.0 million acquisition of Circle 5 Tool & Mold Inc., a Windsor based automotive related mold manufacturer.

OUTLOOK

Management is pleased with the Company's third quarter financial and operating results which reflect an on-going focus on growing Free Cash Flow per share and maintenance of a healthy balance sheet. Mosaic's overall strategy is to grow and add cash flow diversification through the accretive acquisition of controlling equity interests in new portfolio companies. Complementing this, Mosaic's management team actively engages with its portfolio companies to add value with operational focus and strategic assistance throughout the economic cycle.

We continue to see a slow recovery in western Canadian economic activity, with the associated positive impacts on our portfolio companies that have operations in this market. While results in certain western Canadian portfolio companies remain below historical levels, these improvements are a welcome development and it would appear the low point in profit contribution from these entities is now behind us. Additionally, the third quarter of 2017 offered a significant improvement in weather-impacted operating conditions in eastern Canada which positively influenced our construction related businesses.

Looking into the fourth quarter, we expect to see continued benefits from our acquisition activity over the past year, as well as year-over-year gains in contribution from several of our legacy portfolio companies.

Mosaic's pipeline of high quality acquisition opportunities remains robust and the Company will continue to pursue its strategy to grow through acquisitions with a focus on building an increasingly diversified portfolio of private, mid-market companies that offer strong free cash flow while maintaining a healthy balance sheet.

RESULTS OF OPERATIONS

Revenue and Adjusted EBITDA

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**$ 95,656**	$ 57,811	65%	**$ 223,491**	$ 146,325	53%
Operating expenses	**83,651**	51,115	64%	**201,324**	129,538	55%
Adjustments to EBITDA	**(215)**	(355)		**(665)**	(391)	
Adjusted EBITDA (1)	**$ 12,220**	$ 7,051	73%	**$ 22,832**	$ 17,178	33%
as a % of revenue	***12.8%***	*12.2%*		***10.2%***	*11.7%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

Revenue for Q3 2017 increased 65% or $37.8 million to $95.7 million compared to Q3 2016, primarily due to the addition of revenue from acquisitions made in the last 12 months. This was partially offset by revenue declines from businesses in the Infrastructure segment due to weakness in those entities' markets as well as the project nature of their operations.

Adjusted EBITDA for Q3 2017 increased 73% or $5.2 million to $12.2 million compared to Q3 2016, primarily related to the contribution of the recent acquisitions and increased activity within the Energy segment, partially offset by declines in businesses in the Infrastructure segment, for the same reasons as were stated above. Q3 2017 Adjusted EBITDA margin improved 60-basis points compared to the prior year period with profitability gains driven by recent acquisitions partially offset by margin compression within the Diversified segment.

Revenue for the nine months ended September 30, 2017 increased 53% or $77.2 million to $223.5 million compared to the nine months ended September 30, 2016, primarily due to the factors stated above for Q3 2017.

Adjusted EBITDA for the nine months ended September 30, 2017 increased 33% or $5.7 million to $22.8 million compared to the nine months ended September 30, 2016 and realized a 150-basis point decline in margin, primarily due to weakness in both activity and pricing within the Infrastructure segment during the first nine months of the year and Q3 margin compression in the Diversified segment.

The following provides a breakdown of the operating financial performance by business segment:

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue:						
Infrastructure	**$ 64,047**	$ 39,037	64%	**$ 147,242**	$ 104,056	42%
Energy	**4,690**	1,406	234%	**9,876**	4,746	108%
Diversified	**26,796**	17,138	56%	**65,959**	36,708	80%
Real Estate	**123**	230	-47%	**414**	815	-49%
Corporate	**-**	-	N/A	**-**	-	N/A
Total revenue	**$ 95,656**	$ 57,811	65%	**$ 223,491**	$ 146,325	53%
Adjusted EBITDA: (1)						
Infrastructure	**$ 8,420**	$ 3,672	129%	**$ 14,253**	$ 12,046	18%
Energy	**1,210**	385	214%	**2,044**	868	135%
Diversified	**4,083**	4,184	-2%	**12,092**	7,438	63%
Real Estate	**(38)**	42	-190%	**(244)**	372	-166%
Corporate	**(1,455)**	(1,232)	18%	**(5,313)**	(3,546)	50%
Total Adjusted EBITDA	**$ 12,220**	$ 7,051	73%	**$ 22,832**	$ 17,178	33%
As a % of revenue	***12.8%***	*12.2%*		***10.2%***	*11.7%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

Infrastructure Business Segment

The Infrastructure business segment includes the operations of Ambassador Mechanical L.P. ("**Ambassador**"), Place-Crete Systems L.P. ("**Place-Crete**"), Secon Holdings L.P. ("**SECON**"), Bassi Construction L.P. ("**Bassi**") and Cedar Infrastructure Products L.P. ("**Cedar**"). The following was the operating financial performance of the Infrastructure business segment:

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**$ 64,047**	$ 39,037	64%	**$ 147,242**	$ 104,056	42%
Operating expenses	**55,627**	35,365	57%	**132,989**	92,010	45%
Adjusted EBITDA (1)	**$ 8,420**	$ 3,672	129%	**$ 14,253**	$ 12,046	18%
as a % of revenue	***13.1%***	*9.4%*		***9.7%***	*11.6%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

Revenue during the three months and nine months ended September 30, 2017 increased 64% and 42%, respectively over the comparative periods in 2016, primarily due to the inclusion of revenue from Bassi (acquired effective December 1, 2016) and Cedar (acquired effective May 1, 2017), partly offset by declines in revenue at Ambassador and Place-Crete due to reduced contracting activity and pricing.

Adjusted EBITDA during the three months and nine months ended September 30, 2017 increased 129% and 18% over the respective comparative periods in 2016, primarily due to the addition of the operating results of Bassi and Cedar for the current year periods and were partially offset by declines in activity and pricing within Ambassador and Place-Crete. SECON achieved relatively consistent margins on a total and percentage basis driven by the tuck-in acquisitions made at the end of 2016. On a margin basis, Adjusted EBITDA improved 370-basis points quarter over quarter driven by the operations of Cedar which typically realize stronger margins than the other operations within the segment.

Energy Business Segment

The Energy business segment includes the operations of Allied Cathodic Services L.P. ("**Allied**") and Remote Waste L.P. ("**Remote Waste**"). The following was the operating financial performance of this segment:

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**$ 4,690**	$ 1,406	234%	**$ 9,876**	$ 4,746	108%
Operating expenses	**3,480**	1,021	241%	**7,832**	$ 3,878	102%
Adjusted EBITDA (1)	**$ 1,210**	385	214%	**$ 2,044**	$ 868	135%
as a % of revenue	***25.8%***	*27.4%*		***20.7%***	*18.3%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

The revenue increase of 234% and 108% for three and nine months ended September 30, 2017, respectively, was attributable to increased activity levels in both Allied and Remote Waste's water treatment services.

Adjusted EBITDA increased 214% and 135% for the three and nine months ended September 30, 2017, respectively, primarily due to the factor stated above for the revenue increase. In Q3 2017, Adjusted EBITDA margins were relatively stable in comparison to prior periods, modestly declining 160-basis points as increased revenue was achieved through lower pricing and product mix.

Diversified Business Segment

The Diversified business segment includes the operations of Printing Unlimited L.P. ("**Printing Unlimited**"), Kendall's Supply Ltd. ("**Kendall's Supply**"), Industrial Scaffold Services L.P. ("**Industrial Scaffold**") and Mackow Industries L.P. ("**Mackow**"). The following was the operating financial performance of the Diversified business segment:

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**$ 26,796**	$ 17,138	56%	**$ 65,959**	$ 36,708	80%
Operating expenses	**22,713**	12,954	75%	**53,867**	29,270	84%
Adjusted EBITDA (1)	**$ 4,083**	$ 4,184	-2%	**$ 12,092**	$ 7,438	63%
as a % of revenue	***15.2%***	*24.4%*		***18.3%***	*20.3%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

Revenue for three months and nine months ended September 30, 2017 increased 56% and 80%, primarily due to increased activity at Industrial Scaffold and the inclusion of the operations of Mackow (acquired effective August 1, 2016).

Adjusted EBITDA for three months and nine months ended September 30, 2017 decreased 2% and increased 63% over the respective comparative periods in 2016. On a margin basis, Adjusted EBITDA weakened by 920-basis points in Q3 and 200-basis points year-to-date, as Industrial Scaffold and Mackow experienced changes in product mix and margin compression to achieve increased revenue levels.

Real Estate Business Segment

The Real Estate business segment operates as First West Properties L.P. ("**FWPLP**"). The following was the operating financial performance of this segment:

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Revenue	**$ 123**	$ 230	-47%	**$ 414**	$ 815	-49%
Operating expenses	**161**	188	-14%	**658**	443	49%
Adjusted EBITDA [(1)]	**$ (38)**	$ 42	-190%	**$ (244)**	$ 372	-166%
as a % of revenue	***-30.9%***	*18.3%*		***-58.9%***	*45.6%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

This segment contains property held for development, income-producing properties with aggregate net book values of $0.4 million and $11.5 million, respectively and an investment in a joint venture with a carrying value of $2.9 million as at September 30, 2017. The property held for development is vacant industrial land located in Estevan, Saskatchewan. The income-producing properties are commercial properties located in Saskatoon, Saskatchewan, an industrial building in Estevan, Saskatchewan and an industrial warehouse in Fort McMurray, Alberta. The joint venture is between FWPLP and Harbour Equity Capital Corp. which is developing an industrial park near Regina, Saskatchewan.

The decrease in Adjusted EBITDA for three months and nine months ended September 30, 2017 as compared to the prior year periods was primarily due to high vacancy rates in the commercial properties and is a reflection of the weak western Canadian economy.

Corporate

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Operating expenses	**$ 1,670**	$ 1,587	5%	**$ 5,978**	$ 3,937	52%
Adjustments to EBITDA	**(215)**	(355)		**(665)**	(391)	
Adjusted EBITDA [(1)]	**$ (1,455)**	$ (1,232)	18%	**$ (5,313)**	$ (3,546)	50%

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

Certain corporate expenses relate to Mosaic's involvement in the operational matters of its subsidiaries and are attributed to the Infrastructure, Energy, Diversified and Real Estate segments.

The "Corporate" information used in the table above is not a separate segment and is only presented to reconcile to the consolidated results. The increase in corporate expenses for the three months and nine months ended September 30, 2017, was primarily due to an increase in acquisition transaction costs and management costs (including legal, accounting, and professional fees) to support the Company’s growth strategy.

Amortization Expenses

Amortization expenses are incurred within all business segments, however they are reported separately from operating costs since they are non-cash period expenses.

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Amortization expense:						
Income producing properties	**$ 49**	$ 49	-%	**$ 146**	$ 146	-%
Property, plant and equipment	**1,880**	1,157	62%	**4,933**	3,080	60%
Intangible assets	**1,688**	690	145%	**4,831**	2,064	134%
Total amortization expense	**$ 3,617**	$ 1,896	91%	**$ 9,910**	$ 5,290	87%

The increase in amortization expense of property, plant and equipment and intangible assets (which include trade names, work force, customer relationships, backlog, employment agreements and non-compete agreements) was primarily driven by an increase in the respective asset categories resulting from Mosaic's recent acquisitions.

Equity-based Compensation

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Equity-based compensation	**$ (179)**	$ 334	-154%	**$ 38**	$ 659	-94%

During the quarter, adjustments were made to the estimates for the Company's equity-based compensation plans which resulted in the net decrease of 154% during Q3 2017 and 94% year-to-date, as compared to the same periods of 2016.

Net Financing Costs

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Interest:						
Expense	**$ 1,304**	$ 206	533%	**$ 3,428**	$ 470	629%
Income on cash and cash equivalents	**(16)**	(21)	-24%	**(77)**	(220)	-65%
Accretion expense	**796**	-	N/A	**1,047**	-	N/A
Amortization of debt issue costs	**123**	-	N/A	**204**	-	N/A
Net finance costs	**$ 2,207**	$ 185	1093%	**$ 4,602**	$ 250	1741%
As a % of average debt outstanding	***8.6%***	*3.1%*		***10.7%***	*2.0%*	

During the first quarter of fiscal 2017, the Company issued $50.0 million of 5% Debentures. Refer to *"Capital Resources – Loans and Borrowings – 5% Debentures".* The increase in the effective annual net finance costs year-to-date was largely driven by the restructuring of the Company's capital structure in the first quarter of fiscal 2017. Furthermore, in the fourth quarter of 2016, the Company issued $15.6 million of 7% convertible debentures. Refer to *"Capital Resources – Loans and Borrowings – Convertible Debentures".* Net financing costs include accretion of fair value and amortization of debt issue costs which increases the effective rate above the actual cash interest cost incurred. On a cash basis, interest expense as a percentage of average debt outstanding was 1.26% and 3.91% (2016 – 0.78% and 1.01%) for the three and nine months ended September 30, 2017 respectively.

Change in Fair Value of Common Share Purchase Warrants

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Change in FV of common share purchase warrants	**$ 3,158**	$ -	N/A	**$ 9,098**	$ -	N/A

As part of the restructuring Mosaic's capital structure, the Company issued 17.0 million common share purchase warrants which contain a cashless exercise provision. Refer to *"Liquidity – Financing Activities – Capital Structure"*. As a result, the common share purchase warrants are treated as derivative liability and are measured at fair value at the end of each reporting period. The non-cash change of $3.2 million and $9.1 million for the three and nine month periods ended September 30, 2017, respectively, was driven by the decline in the Company's common share market price since the issuance date which decreases the derivative liability's fair value.

Provision for Income Tax

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Income before income taxes	**$ 8,425**	$ 3,929	114%	**$ 16,626**	$ 10,422	60%
Provision for income taxes	**$ 1,411**	$ 750	88%	**$ -**	$ 812	-100%
Effective income tax rate	***16.7%***	*19.1%*		***0.0%***	*7.8%*	

Included in Q3 2017, was a current tax provision of $1.2 million and a deferred tax provision of $0.2 million. Year-to-date, the current tax provision of $1.3 million was offset by a deferred tax reduction of $1.3 million. The variance from the expected tax provision was the result of The change in fair value of common share purchase warrants and distributions made to preferred security holders having different attributes for tax purposes than IFRS.

At September 30, 2017, Mosaic has accumulated non-capital losses for income tax purposes of $33.8 million (December 31, 2016 - $30.9 million). The accumulated non-capital losses expire between 2021 and 2037.

Net Income and Comprehensive Income

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Net income and comprehensive income attributable to:						
Equity holders of Mosaic Capital Corporation	**$ 4,003**	$ (1,473)	372%	**$ 8,092**	$ (3,807)	313%
Preferred dividends/distributions [1]	**1,496**	3,255	54%	**3,981**	9,794	59
Non-controlling interests	**2,515**	1,397	80%	**4,553**	3,623	26%
Net income and comprehensive income	**$ 8,014**	$ 3,179	152%	**$ 16,626**	$ 9,610	73%
Earnings (loss) per share:						
Basic	**$ 0.39**	$ (0.18)	316%	**$ 0.84**	$ (0.48)	275%
Diluted	**$ 0.35**	$ (0.18)	294%	**$ 0.77**	$ (0.48)	260%

Notes:
(1) Pursuant to IFRS, earnings per share are calculated after giving effect to distributions on securities which rank in priority to common shares. See Note 26 of the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2017 and 2016.

For Q3 2017, Mosaic recognized a net income and comprehensive income of $8.0 million compared to $3.2 million in Q3 2016. Year-to-date, the Company recognized a net income and comprehensive income of $16.6 million compared to $9.6 million for the same period of 2016.

During Q3 2017, $2.5 million (2016 - $1.4 million) of Mosaic's net income was allocated to non-controlling interests. During the nine months ended September 30, 2017, $4.6 million (2016 - $3.6 million) of Mosaic's net income was allocated to non-controlling interests. Refer to Note 2 of the condensed interim consolidated financial statements for details on minority interest ownership.

Pursuant to IFRS, earnings per share are calculated after giving effect to distributions on securities which rank in priority to common shares which include preferred securities and non-controlling interests. For Q3 2017, basic earnings per share was $0.39 (2016 – basic loss per share $0.18) and diluted earnings per share was $0.35 (2016 – diluted loss per share $0.18), meanwhile year-to-date basic earnings per share was $0.84 (2016 – basic loss per share $0.46) and diluted earnings per share was $0.77 (2016 – diluted loss per share $0.46)

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as noted)	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
Revenue	$ 95,656	$ 69,726	$ 58,109	$ 50,859	$ 57,811	$ 48,270	$ 40,244	$ 48,432
Adjusted EBITDA	12,220	5,350	5,262	3,299	7,051	5,175	4,952	4,264
Net income (loss) from continuing operations	8,014	7,603	1,010	(2,063)	3,179	3,547	2,884	3,046
Net income (loss) attributable to Shareholders	$ 5,499	$ 6,514	$ 60	$ (489)	$ 1,782	$ 2,201	$ 2,004	$ 1,353
Earnings (loss) / common share from continuing operations: (1)								
Basic	$ 0.39	$ 0.49	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ 0.02
Diluted	$ 0.35	$ 0.43	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ 0.02
Earnings (loss) / common share:								
Basic	$ 0.39	$ 0.49	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ (0.16)
Diluted	$ 0.35	$ 0.43	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ (0.16)

Notes:

(1) Net income (loss) from continuing operations and net income (loss) per common share are calculated after the declaration of distributions and dividends paid to the holders of preferred securities, Series "A" Shares and private yield securities and non-controlling interests.

Certain of the Company's subsidiaries experience seasonal and/or cyclical fluctuations in activity. Furthermore, acquisitions may be completed in any quarter which may materially impact consolidated quarterly results following their acquisition.

LIQUIDITY

(in $000s, except as noted)	**Sep 30, 2017**	Sep 30, 2016
Net cash provided by (used in):		
Operating activities	**$ (545)**	$ 5,734
Investing activities	**(18,307)**	(23,369)
Financing activities	**9,623**	3,293
Net decrease in cash	**$ (9,229)**	$ (14,342)

Operating Activities

For the first nine months of 2017, the Company used $0.5 million in cash from operating activities. Cash provided by operating activities before non-cash working capital items was $17.3 million or $1.69 per common share (2016 - $15.3 million or $1.59 per common share).

Mosaic's subsidiaries have an aggregate of $31.7 million in available operating facilities of which only $6.8 million has been drawn as of September 30, 2017. Furthermore, Mosaic has a $50.0 million revolving credit facility of which $35.0 million is available to support existing working capital requirements and $15.0 million is available, subject to completion of future acquisitions. As of September 30, 2017, $17.5 million was drawn on the facility.

As at September 30, 2017, Mosaic had working capital of $60.5 million (December 31, 2016 - $23.5 million). Management believes that the current working capital along with the supporting operating credit facilities are sufficient to support current operating activities.

Investing Activities

Net cash used in investing activities was $18.3 million for the nine months ended September 30, 2017. Net cash used included:

- The gross investment of $11.6 million, in capital expenditures and $5.0 million, net of disposal proceeds and financing as detailed below;
- the receipt of $0.9 million in distributions from the Company's real estate joint venture; and
- the payment of $14.0 million in cash related to the acquisition of Cedar as detailed below.

Capital Expenditures

Year-to-date, Mosaic has invested $11.6 million gross and $9.6 million net, in capital assets. The allocation of capital expenditures between assets that will increase revenue capacity ("**Growth**") and assets that will maintain or support existing revenue capacity ("**Sustaining**") was as follows:

(in $000s, except as noted)	Growth	Sustaining	**Total**
Business segment:			
Infrastructure	$ 1,925	$ 273	**$ 2,198**
Energy	938	691	**1,629**
Diversified	6,822	872	**7,694**
Real estate	-	-	**-**
Corporate	-	43	**43**
	9,697	1,836	**11,564**
Proceeds on disposal of equipment			**(1,930)**
Net capital expenditures			**9,634**
Amount financed			**(4,632)**
			$ 5,002

Expenditures within the Diversified segment include costs to expand Mackow's operations into Fargo, North Dakota to capitalize on "buy American" initiatives in the United States.

Cedar Acquisition

On May 1, 2017, Mosaic completed the acquisition of a 75% interest in the business being carried on by Cedar Infrastructure Products Inc. Cedar is a distributor of municipal iron castings, concrete pipe, pre-cast products and related specialty items to service the road, water and sewer infrastructure and residential construction industries. Cedar is classified as part of the Infrastructure reporting segment.

A portion of the purchase price is contingent upon the results of operations of Cedar meeting or exceeding specified targets for each of the next three years after the acquisition date with a maximum consideration payable of $0.7 million each in the first two years and $0.1 million in the third year. Under the terms of the Cedar partnership agreement the non-controlling interests are subject to put and call provisions that may result in future cash outlays.

The following table sets out the details of the Cedar acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired and liabilities assumed.

(in $000s, except as noted)	
Fair value of net assets acquired:	
Working capital	$ 4,671
Property, plant and equipment	585
Intangibles	8,900
Goodwill	9,899
Non-controlling interests	(5,808)
Net assets acquired	**$ 18,247**

(in $000s, except as noted)	
Consideration given:	
Cash	$ 14,000
Vendor take-back loan	4,014
Contingent consideration	262
Working capital adjustment	(29)
Total consideration	**$ 18,247**

Financing Activities

Net cash provided by financing activities was $9.6 million for the nine months ended September 30, 2017. Net cash provided included:

- the net receipt of proceeds of $4.6 million on operating loans;
- the net repayment of $7.0 million on the credit facility;
- the net payment of $6.8 million in notes payable;
- the receipt of $15.2 million in gross proceeds from common share subscription privileges exercised (subscription price - $9.80 per common share) which resulted in the issuance of 1.55 million common shares;
- the aggregate receipt of $150.0 million in gross proceeds from the Fairfax Financing (see below);
- the net receipt of $0.1 million in proceeds related to the Company's equity-based compensation plans;
- $3.3 million in dividends paid to the common share holders (see below);
- $2.6 million in dividends paid to the 6% preferred securities holders (see below);
- the aggregate payment of $133.6 million to redeem / retract all of the Company's 10% preferred securities, series "A" shares, private yield securities and private yield purchase warrants (see below);

- the aggregate payment of $2.5 million in distributions / dividends to the Company's former 10% preferred securities, series "A" shares and private yield securities (see below);
- the payment of $3.2 million to non-controlling interests; and
- the aggregate payment of $1.3 million in security related transaction costs.

Capital Structure

During the first quarter of 2017, management executed on a number of transactions to restructure the Company's capital structure. On January 26, 2017, Mosaic closed a private placement (the "**Fairfax Financing**") pursuant to which Fairfax Financial Holdings Limited through certain of its subsidiaries (collectively "**Fairfax**") acquired: (i) $100.0 million aggregate principal amount of 6% senior preferred securities (the "**6% Preferred Securities**"); (ii) $50.0 million aggregate principal amount of 5% senior secured debentures (the "**5% Debentures**"); and (iii) common share purchase warrants (the "**Warrants**") entitling Fairfax to acquire up to 17.0 million common shares of Mosaic at a strike price of $8.81 per common share until January 26, 2024. If the Warrants are fully exercised, Fairfax would own approximately 59% of the currently issued and outstanding common shares of Mosaic, calculated on a fully diluted basis. Prior to the Fairfax Financing, Fairfax did not own or exercise control over any securities of Mosaic. Refer to *"Capital Resources – Loans and Borrowings – Common Share Purchase Warrants".*

The Company utilized $133.6 million of the proceeds to repay and retire its 10% preferred securities, series "A" shares, private yield securities, and private yield purchase warrants.

Distributions and Dividends

Non-controlling Interests

Non-controlling interests consist of the capital contributions and accumulated earnings of the minority partners in subsidiaries of Mosaic, less distributions made to minority partners. Refer to Note 2 of the condensed interim consolidated financial statements for details of minority ownership interests.

During Q3 2017, $2.5 million (2016 - $1.4 million) of Mosaic's net income was allocated to non-controlling interests and distributions of $1.0 million (2016 - $0.8 million) were paid to holders of the non-controlling interests. During the nine months ended September 30, 2017, $4.6 million (2016 - $3.6 million) of Mosaic's net income was allocated to non-controlling interests and distributions of $3.2 million (2016 - $2.8 million) were paid to holders of the non-controlling interests.

Preferred Securities

Information regarding the distributions declared and paid to holders of 10% Preferred Securities and 6% Preferred Securities during the three and nine months ended September 30, 2017 and the 2016 comparative period are set forth below. For the 2016 comparative periods the distributions only included the 10% Preferred Securities.

Under the distribution reinvestment plan (the "**DRIP**"), holders of 10% Preferred Securities who were residents of Canada and were participating in the DRIP had distributions relating to their 10% Preferred Securities reinvested in additional 10% Preferred Securities. The difference between distributions declared and distributions paid in cash is related to securities that were purchased through the facilities of the TSXV to satisfy the DRIP. The DRIP allowed Mosaic to elect to have the 10% Preferred Securities purchased on the open market or issued from treasury. Due to the redemption of the 10% Preferred Securities on February 10, 2017, there is no longer a DRIP program.

	2017			2016		
(in $000s, except as noted)	**Distribution Payable**	**Distribution Net of DRIP**	**DRIP Participation**	Distribution Payable	Distribution Net of DRIP	DRIP Participation
January	**$ 988**	**$ 988**	**0%**	$ 874	$ 677	23%
February	**-**	**-**	**N/A**	873	684	22%
March	**1,068**	**1,068**	**N/A**	873	683	22%
April	**-**	**-**	**N/A**	874	683	22%
May	**-**	**-**	**N/A**	901	709	21%
June	**1,496**	**1,496**	**N/A**	873	680	22%
July	**-**	**-**	**N/A**	873	679	22%
August	**-**	**-**	**N/A**	873	679	22%
September	**1,512**	**1,512**	**N/A**	874	673	23%
	$ 5,064	**$ 5,064**	**0%**	$ 7,888	$ 6,147	22%

On a go forward basis, the 6% Preferred Securities require a distribution of $6.0 million per annum to remain current with its contractual terms.

Private Yield Security Distributions

Distributions were payable monthly on the private yield securities issued and outstanding. Each private yield security entitled the holder to receive a distribution of $7.7083 per month or $92.50 per year, representing a yield of 9.25%.

For the three months and nine months ended September 30, 2017, Mosaic declared distributions on private yield securities of $Nil (2016 - $0.6 million) and $0.3 million (2016 - $1.8 million), respectively. Upon retraction of the private yield securities on February 10, 2017, all distributions thereon ceased.

Series "A" Share Dividends

Dividends were payable, monthly on Series "A" Shares issued and outstanding. Each Series "A" Share had a right to a dividend equal to the distribution declared on each preferred security.

For Q3 2017, Mosaic declared and paid dividends on series "A" shares of $nil (2016 - $22,000). For the nine months ended September 30, 2017, Mosaic declared and paid dividends on series "A" shares of $Nil (2016 - $66,000). Upon redemption of the Series "A" Shares, all dividends thereon ceased.

Common Share Dividends

Dividends declared were as follows:

	2017		2016	
(in $000s, except as noted)	**Per Share**	**Total**	Per Share	Total
January	**$ -**	**$ -**	$ -	$ -
February	**-**	**-**	-	-
March	**0.105**	**1,093**	0.100	863
April	**0.035**	**368**	-	-
May	**0.035**	**371**	-	-
June	**0.035**	**372**	0.100	863
July	**0.035**	**372**	-	-
August	**0.035**	**371**	-	-
September	**0.035**	**371**	0.100	858
	$ 0.315	**$ 3,318**	$ 0.300	$ 2,584

On February 23, 2017 Mosaic increased its dividend policy (the "**Dividend Policy**") by 5%, whereby it intends to declare dividends of $0.42 per common share per annum (previously $0.40). Effective April 2017, Mosaic changed the common share dividend declaration policy to a monthly basis (previously quarterly basis). On a go forward basis, the current Dividend Policy's annual commitment is $4.5 million.

Effective December 15, 2016, Mosaic instituted a DRIP for its common share dividends. Under the DRIP, holders of common shares who are residents of Canada and are participating in the DRIP will have dividends relating to their common shares reinvested in common shares. The DRIP allows Mosaic to elect to have the common shares purchased on the open market or issued from treasury to satisfy the obligations of the DRIP.

Distribution / Dividend Payout Ratios

As disclosed in Mosaic's MD&A for the six months ended June 30, 2017, management has evaluated the material changes in Mosaic's capital structure arising from the Fairfax Financing transaction and has amended the definition, calculation and use of Free Cash Flow. Refer to *"Non-GAAP Financial Measures"*. Of note, the Free Cash Flow measure has been amended to also deduct cash financing costs. This change was made to reflect the Company's capital structure which now contains 5% Debentures, Convertible Debentures and the Company's potential increase in the use of interest bearing debt to support growth initiatives including the 2017 Credit Facility and notes payable all of which will have a material impact on cash financing costs in the form of interest costs.

Mosaic's payout ratios have historically fluctuated significantly, quarter-to-quarter, due to the seasonality of some of its businesses, the effect of acquisitions and the raising of capital.

The Preferred Distribution Payout Ratio and Combined Payout Ratio with the corresponding distributions and dividends were as follows:

	Three months ended Sep 30,			Nine months ended Sep 30,		
(in $000s, except as noted)	**2017**	2016	% Change	**2017**	2016	% Change
Free Cash Flow [(1)]	**$ 6,166**	$ 4,168	48%	**$ 10,149**	$ 10,657	-5%
Preferred security distributions	**1,513**	2,623	-42%	**5,225**	6,153	-15%
Common share dividends	**1,114**	864	29%	**3,318**	2,590	28%
Total equity based distributions	**$ 2,627**	$ 3,487	-25%	**$ 8,543**	$ 8,743	-2%
Payout Ratios:						
Preferred Distribution	**25%**	63%		**51%**	58%	
Combined Distribution	**43%**	84%		**84%**	82%	

Notes:
(1) Free Cash Flow is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.

The Preferred Distribution Payout Ratio decreased during the nine months ended September 30, 2017 over the comparative period in 2016, primarily as a result of (i) decrease in distributions due to the redemption of the 10% Preferred Securities and the retraction of the private yield securities in Q1 2017 and (ii) issuance of the 6% Preferred Securities in Q1 2017.

Contractual Obligations

The Company has entered into operating leases for office, shop and equipment as well as commitments to pay contingent consideration in relation to acquisitions. The following are the future commitments related to these agreements:

(in $000s, except as noted)	Amount
2017	$ 895
2018	3,195
2019	3,195
2020	2,303
2021 and thereafter	3,214
	$ 12,802

Contingent consideration related to acquisitions is dependent on the future financial performance of the business acquired and management has recognized what it believes will be the more likely amount payable. Furthermore, certain subsidiaries of Mosaic are contingently liable for contractor obligations relating to performance and completion of construction contracts. These may include contingent liabilities for subcontractors failing to meet their contractual performance obligations. Due to the inherent nature of these contractual obligations, estimating the aggregate exposure is not possible.

[Remainder of page intentionally left blank]

CAPITAL RESOURCES

At September 30, 2017, Mosaic had cash and cash equivalents of $15.7 million, working capital of $60.5 million and $52.3 million in aggregate undrawn credit facilities.

Loans and Borrowings

The Company and certain of its subsidiaries have the following available credit facilities and loans and borrowings:

Operating Facilities

Certain of Mosaic's subsidiaries have various credit facilities to support operations and working capital needs. These credit facilities reside in the individual subsidiaries and as such, cannot be aggregated with the parent company. The facilities bear interest at the bank's prime lending rate plus 0.5% to 1.0% per annum. By business segment, the following is a summary of these facilities:

					Balance Outstanding	
	Facility Type	Availability	Restrictions	Security	**Sep 30, 2017**	Dec 31, 2016
Infrastructure						
Ambassador	Revolving demand	$ 3,000	AR & INV	AA	**$ -**	$ -
Place-Crete	Revolving demand	4,000	75% of AR	GSA	**-**	-
SECON	Revolving demand	6,800	75% of AR	GSA & AA	**-**	-
SECON	5 year term	4,000	CAPEX	GSA & AA	**-**	-
Bassi	Revolving demand	2,000	75% of AR	GSA & AA	**-**	-
Cedar	Revolving demand	1,800	75% of AR	GSA	**-**	-
		21,600			**-**	-
Diversified						
Industrial Scaffold	Revolving term	7,500	75% AR	GSA & AA	**4,636**	-
Industrial Scaffold	5 year term	750	CAPEX	GSA &AA	**-**	-
		8,250			**4,636**	-
Real Estate						
FWPLP	20 year demand term	2,153	N/A	GSA & DCM	**2,125**	2,211
		2,153			**2,125**	2,211
Total		**$ 32,003**			**$ 6,761**	**$ 2,211**

Notes:
"**AR**" – eligible trade accounts receivables
"**INV**" – inventories
"**CAPEX**" – capital expenditures
"**AA**" – assignment of all assets
"**GSA**" – general security agreement
"**DCM**" – demand collateral mortgage

2017 Credit Facility

On January 24, 2017, as amended June 30, 2017, the Company entered into a three year, $50.0 million committed revolving credit facility (the "**2017 Credit Facility**") to support day-to-day operations, capital expenditures and acquisitions. $15.0 million of the facility's availability is subject to completion of future acquisitions. The 2017 Credit Facility replaced a credit facility dated May 20, 2014 (the "**2014 Credit Facility**"), as amended August 2, 2016 and September 19, 2016.

The 2017 Credit Facility bears interest at rates ranging from bank prime plus 0.50% - 1.50%. The 2017 Credit Facility is secured by, among other things, general security agreements granted by Mosaic and certain of its subsidiaries together with the pledge of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries. As at September 30, 2017 $17.5 million (December 2016 - $24.5 million) was outstanding.

Notes Payable

Notes payable include vehicle financings, equipment loans, term loans, leasehold improvement loans, finance leases and notes payable to holders of non-controlling interests. By business segment, the following is a summary of the various notes, loans and leases outstanding:

	Facility Type	Term	Interest	Security	Balance Outstanding	
					Sep 30, 2017	Dec 31, 2016
Infrastructure						
Bassi	VTB note	Nov 2019	5.5%	Bassi GSA & MG	**$ 3,000**	$ 3,000
Place-Crete	VTB loan	Aug 2017	5.0%	Plate-Crete OP	**-**	1,057
Plate-Crete	Promissory note	Jan 2020	5.0%	Plate-Crete GSA	**365**	425
SECON	VTB loan	Aug 2017	5.0%	SECON OP	**-**	938
SECON	Promissory note	N/A	0.0%	N/A	**-**	2,850
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	**4,333**	-
					7,698	8,270
Diversified						
Mackow	VTB loan	July 2019	5.0%	Mackow GSA	**4,611**	6,225
					4,611	6,225
Real Estate						
FWPLP	Term loan	20 years	P + 1.0%	Mortgage	**429**	442
					429	442
All segments	Equipment and leasehold	< 5 years	< P + 0.5%	GSA & FC	**2,149**	1,139
All segments	Finance leases	< 5 years	< 9.6%	FC	**6,193**	2,152
All segments	Unamortized accretion				**(525)**	-
Total notes payable					**20,555**	18,228
Current portion					**(4,706)**	(8,745)
Non-current portion					**$ 15,849**	**$ 9,483**

Notes:
"**VTB**" – vendor-take-back
"**GSA**" – general security agreement
"**MG**" – Mosaic guarantee
"**OP**" – ownership pledge
"**FC**" – first charge on specified assets

5% Debentures

Mosaic has 50,000, 5% Debentures, with a face value of $1,000 each issued and outstanding. Interest of 5% is payable semi-annually and the 5% Debentures mature on January 26, 2024, are not redeemable before maturity and are secured by a security interest on all the assets of Mosaic and certain of its subsidiaries, subject only to the first priority security interest of Mosaic’s 2017 Credit Facility. The carrying value of the 5% Debentures were as follows:

(in $000s, except as noted)	**Sep 30, 2017**	Dec 31, 2016
Face value	**$ 50,000**	$ -
Unamortized fair value accretion	**(2,982)**	-
Unamortized transaction costs	**(125)**	-
	$ 46,893	$ -

Refer to *"Financial Instruments – Fair Value – Financial Liabilities and Equity"* for additional details.

Convertible Debentures

The Company has 13,124 (December 31, 2016 – 15,626) convertible unsecured subordinated debentures, with a face value of $1,000 each issued and outstanding. Interest of 7% is payable, semi-annually in arrears, on June 30 and December 31 of each year. The convertible debentures are a compound financial instrument reflecting both a debt and equity component.
The convertible debentures mature on December 31, 2021. The following table summarizes the contractual rights on redemption or conversion.

Year	Option	Common Share Price	Redemption Value	Common Shares on Conversion
Anytime	Holder	N/A	N/A	111.11
2020	Mosaic	>$11.25	Face value + interest	$1,000 / 95% CSP
2021	Mosaic	N/A	Face value + interest	$1,000 / 95% CSP

Notes:
"**CSP**" – common share price

The convertible debentures are direct, subordinated unsecured obligations of the Company, subordinated to the 2017 Credit Facility and any other senior indebtedness. Mosaic has the option to settle the principal amount of the convertible debentures upon redemption or at maturity through the issuance of common shares.

Common Share Purchase Warrants

As of September 30, 2017, Mosaic had 17.0 million Warrants with a carrying value of $11.5 million (December 31, 2016 - $nil) outstanding, entitling the holder to acquire up to 17.0 million common shares of Mosaic at a strike price of $8.81 per common share (the "**Strike Price**") until January 26, 2024. The Warrants were issued as part of the Fairfax Financing. Refer to *"Liquidity – Financing Activities – Capital Structure"*. The holder has the option to exercise the Warrants on a cashless basis whereby they can elect to be issued a number of common shares calculated as the number of Warrants multiplied by the common share market value at time of exercise minus the Strike Price. As such, the Warrants were deemed as a derivative liability and are measured at fair value. Refer to *"Financial Instruments – Fair Value – Financial Liabilities and Equity"* for additional details.

Equity

Equity decreased $30.0 million to $95.5 million at September 30, 2017 from $125.5 million at December 31, 2016. The decrease was mainly attributable to the capital restructuring completed in the first quarter of fiscal 2017. Refer to *"Liquidity – Financing Activities – Capital Structure"* for details.

Non-controlling Interest

Separate from equity, non-controlling interests were $50.3 million at September 30, 2017 compared to $43.0 million at December 31, 2016. The increase was largely attributable to the Cedar acquisition. Refer to *"Liquidity – Investing Activities – Cedar Acquisition"* for details.

6% Preferred Securities

Mosaic has 10.0 million, 6% Preferred Securities, with a face value of $10 each issued and outstanding. The 6% Preferred Securities bear interest at a rate of 6% per annum, payable quarterly, are unsecured obligations of Mosaic subordinate to all liabilities of Mosaic, excluding the existing 7% convertible unsecured senior subordinated debentures. The 6% Preferred Securities are not redeemable by Mosaic before January 26, 2022 (the "**Call Date**"). After the Call Date, the 6% Preferred Securities may be redeemed at the option of Mosaic at a price per 6% Preferred Security equal to the greater of: (i) $10; and (ii) the ten-day volume weighted average trading price of the 6% Preferred Securities.

Securities Data

The following table summarizes the changes in Mosaic's equity structure:

(in $000s, except as noted)	Common Shares	6% Preferred Securities	Convertible Debenture	10% Preferred Securities	Series "A" Shares	Private Yield Securities	Private Yield Warrants	**Equity**
As at January 1, 2017	8,346,000	-	15,626	10,477,000	88,000	27,000	27,000	**$168,503**
Issuance of securities	-	10,000,000	-	-	-	-	-	**82,672**
Redemption of securities	-	-	-	(10,477,000)	(88,000)	(27,000)	(27,000)	**(132,166)**
Issuance of share capital:								
Subscription receipts	1,550,000	-	-	-	-	-	-	**15,193**
Debenture conversion	278,000	-	(2,502)	-	-	-	-	**2,114**
Equity-based Compensation	99,000	-	-	-	-	-	-	**179**
Transaction costs and other	-	-	-	-	-	-	-	**(1,227)**
	10,273,000	10,000,000	13,124	-	-	-	-	**135,268**
Non-controlling interest								**5,856**
Dividends / distributions:								
Redeemed securities								**(1,417)**
6% preferred securities								**(4,097)**
Common shares								**(3,318)**
Non-controlling interest								**(3,177)**
Net income								**16,626**
As at September 30, 2017	**10,273,000**	**10,000,000**	**13,124**	**-**	**-**	**-**	**-**	**$145,741**

As at November 14, 2017, the following are numbers of securities and principal amount of Mosaic's issued and outstanding securities:

(in $000s, except as noted)	Number Outstanding	Principal Amount
Designation of class:		
5% Senior secured debentures	50,000	$ 50,000
7% Convertible unsecured subordinated debentures	13,124	$ 13,124
6% Senior preferred securities	10,000,000	$ 100,000
Common shares [(1)]	10,570,313	N/A
Stock options	418,987	N/A
Restricted security units	294,181	N/A
Common share purchase warrants	17,026,106	N/A

Notes:
(1) As at September 30, 2017, 287,524 common shares had been purchased and were being held by the trustee under the Mosaic equity-based compensation plan for the benefit of the plan participants. Common shares reported under the heading "Financial Highlights" herein as 10,282,789 represents the total common shares outstanding.

CAPITAL MANAGEMENT

The Company's overall capital management objectives are: (i) to finance its operations and growth-oriented activities; and (ii) to limit risk to an acceptable level to maximize equity holder value. To accomplish this, Mosaic's utilizes a combination of debt and equity instruments. This capital mix is regularly monitored to ensure all externally imposed capital compliance requirements on the Company, including financial covenants are maintained.

2017 Credit Facility

Under its 2017 Credit Facility, the Company is required to operate the business in normal course while maintaining a number of financial covenants which are measured quarterly. The definition of measurements used to calculate these financial covenants are in accordance with the lending agreement and are calculated based on the lender's interpretation, which may not be equal to individual financial amounts. Mosaic was in compliance with the financial covenants under the 2017 Credit Facility as of September 30, 2017.

The following summarizes the key financial covenant requirements and compliance calculations as at September 30, 2017:

(in $000s, except as noted)	Requirement	Calculated	Compliant
Total Debt to Gross EBITDA	< 3.00	1.80	Yes
Net Funded Debt to EBITDA	< 3.00	1.97	Yes
Fixed Charge Coverage	> 1.10	1.37	Yes
Aggregate Subsidiary Net Funded Debt to EBITDA	< 0.50	0.43	Yes

The following outlines the detailed components and calculation of each covenant:

Total Debt to Gross EBITDA and Net Funded Debt to EBITDA Ratios

(in $000s, except as noted)	**Sep 30, 2017**
Debt:	
Operating loans	**$ 6,761**
Credit facility	**17,501**
Notes payable	**20,555**
Convertible debenture (debt and equity portions)	**12,107**
Total Debt	**56,924**
Less Mosaic's share of cash	**(13,017)**
Net Funded Debt	**$ 43,907**
Trailing 12 month EBITDA:	
Gross	**$ 31,594**
Mosaic share	**$ 22,262**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.00)	**1.80**
Net Funded Debt to Mosaic EBITDA (less than 3.00)	**1.97**

Fixed Charge Coverage Ratio

(in $000s, except as noted)	**Sep 30, 2017**
Trailing 12-month Cash Flow	
EBITDA Mosaic Share	**$ 22,262**
Less:	
Mosaic's portion of unfunded sustaining capital expenditures	**-**
Mosaic's portion of cash taxes	**(1,499)**
Total trailing 12-month Cash Flow	**$ 20,763**
Trailing 12 month Fixed Charges	
Distributions / Dividends:	
Preferred securities	**$ 8,720**
Private yield securities	**882**
Common shares	**4,183**
Series "A" shares	**22**
Interest expense	**5,163**
Repayment of notes payable	**4,969**
Less prescribed % of consolidated cash on hand	**(8,009)**
Total trailing 12 month Fixed Charges	**$ 15,930**
Financial covenant:	
Fixed Charge Coverage (more than 1.10)	**1.30**

Aggregate Subsidiary Net Funded Debt to EBITDA Ratio

(in $000s, except as noted)	**Sep 30, 2017**
Subsidiary Net Funded Debt	**$ 12,237**
Subsidiary EBITDA	**$ 28,722**
Financial covenant:	
Subsidiary Net Funded Debt to EBITDA (less than 0.50)	**0.43**

Operating Facilities

Under its various operating facilities, the Mosaic's subsidiaries are required to operate the business in normal course while maintaining a number of financial covenants. The definition of measurements used to calculate these financial covenants are in accordance with the respective individual lending agreements and are calculated based on the lender's interpretation, which may not be equal to individual financial amounts. Mosaic's subsidiaries were in compliance with the financial covenants under their respective operating facilities as of September 30, 2017.

The following summarizes the key financial covenant requirements of these agreements:

	Frequency	Debt Servicing Coverage	Debt : Tangible Net Worth	Equity or Tangible Net Worth	Compliant
Infrastructure					
Ambassador	Annual	> 1.25	< 2.5	N/A	Yes
Place-Crete	At any time	N/A	N/A	> $4.0 million	Yes
SECON	Annual	> 1.20	< 2.5	N/A	Yes
Bassi	At any time	N/A	N/A	> $2.0 million	Yes
Diversified					
Industrial Scaffold	At any time	N/A	< 1.5	N/A	Yes
Real Estate					
FWPLP	Annual	> 1.35	N/A	N/A	Yes

5% Debentures

The 5% Debentures contain a financial covenant that total debt to gross EBITDA will not exceed 2.50 to 1.00 at the time the debt was incurred, without prior written consent. Total debt is defined to include consolidated bank debt, convertible debentures, capital lease obligations, equipment financing obligations, vendor take-back notes and other commercial notes, all to the extent they rank in priority to the 5% Debentures. Gross EBITDA is defined as gross earnings before interest, taxes, depreciation and amortization. Mosaic is in compliance with this covenant as at September 30, 2017.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Upon initial recognition, all financial instruments, including derivatives, are recognized on the statement of financial position at fair value. Subsequent measurement is then based on the financial instruments being classified into one of four categories: held for trading, loans and receivables, available for sale, and financial liabilities. Mosaic has designated its financial instruments into the following categories applying the indicated measurement methods:

Financial Instrument	Measurement Method
Cash and cash equivalents	Fair value
Trades receivable, income taxes recoverable, deposits and loan receivable	Amortized cost
Contingent consideration and common share purchase warrants	Fair value
Trades payable and accrued liabilities, distributions payable, notes payable, income taxes payable, credit facilities, convertible debentures and operating loans	Amortized cost

Each reporting period, Mosaic assesses whether there are any impaired financial assets, other than those classified as held for trading. An impairment loss, other than temporary, is included in net earnings.

Fair Value

Financial Assets

Due to the short-term nature of: cash and cash equivalents; trades receivable; income taxes recoverable; deposits; and loan receivable, the Company has determined that the carrying amounts approximate fair value.

Financial Liabilities and Equity

Contingent consideration related to acquisitions is dependent on the future financial performance of the business acquired for which management estimated what it believes will be the more likely amount payable.

The securities issued under the Fairfax Financing included 5% Debentures, 6% Preferred Securities and Warrants which were recorded at their respective fair value upon issue. Refer to *"Liquidity – Financing Activities – Capital Structure".* The valuation of these instruments were based on a residual value methodology whereby the 5% Debentures and 6% Preferred Securities were valued first as they were most readily valued. Mosaic used discount rates of 6.3% and 7.3%, respectively, in arriving at the fair value for the 5% Debentures of $46.6 million and $82.4 million for the 6% Preferred Securities, net of transaction costs. These discount rates were considered to be reasonable in the circumstances taking into consideration the implied fair value of the Warrants using the residual value methodology. Accordingly, the Warrants were valued as $20.6 million on the issue date, calculated as the total proceeds ($150.0 million) minus the fair value of the 5% Debenture and the 6% Preferred Securities.

The Warrants will be fair-valued as at each reporting period. A change in the inputs utilized to calculate the fair value such as the Company's share price, volatility, remaining life and interest rate can have a material impact on the reported income and comprehensive income for the period. In determining the fair value of the Warrants, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price as at the reporting date; risk-free interest rate; and the remaining expected life of the Warrants. The inputs used in the Black-Scholes model are taken from observable market data.

As at September 30, 2017, the Warrants were valued at $11.5 million using an option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 2.00%; liquidity discount of 20%; and an expected life of 6.3 years. The liquidity discount involves significant management judgement as this is an unobservable input.

Credit Risk

Credit risk is the risk of financial loss to Mosaic if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Mosaic manages the credit exposure related to cash and cash equivalents by choosing to conduct business with Canadian financial institutions which have high credit ratings and by monitoring all short-term deposits to ensure an adequate rate of return. Currently management does not expect any counterparty, at the Mosaic level, to fail to meet its obligations.

Mosaic is exposed to credit risk as an owner of businesses that extend credit to customers and tenants. Mosaic's trades receivable are due from a wide range of customers and tenants and are subject to normal credit risk. The credit quality of the trade receivables amount is considered adequate. Mosaic provides allowances for any customer accounts where collectability is doubtful. Mosaic offers a diverse variety of products and services to a wide range of customers across its subsidiaries. The majority of accounts receivable relate to trade receivables. Mosaic's management believes at this time that all receivables, net of allowances made for doubtful accounts, will be collected.

Liquidity Risk

Liquidity risk is the risk that Mosaic will not be able to meet its financial obligations as they are due. Mosaic's approach to managing liquidity risk is to prudently manage its financial position, cash generated from operations and credit facilities in such a manner so as to ensure it will have sufficient liquidity to pay its obligations when due. Mosaic's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and general economic conditions.

(in $000s, except as noted)	Sep 30, 2017	Contractual Cash Flow	Less Than 12 Months	1 – 2 Years	2 – 3 Years	Thereafter
Operating loans	**$ 6,761**	$ 6,761	$ 4,753	$ 122	$ 127	$ 1,759
Trade, accrued and other payables	**42,942**	42,942	42,942	-	-	-
Distributions payable	**1,512**	1,512	1,512	-	-	-
Credit facility	**17,501**	18,481	260	260	17,960	-
Contingent consideration	**3,273**	4,320	1,003	1,797	1,520	-
Notes payable	**20,555**	22,353	5,563	4,955	9,475	2,360
5% Debentures	**46,893**	65,625	2,500	2,500	2,500	58,125
Common share purchase warrants	**11,457**	-	-	-	-	-
Convertible debentures	**11,293**	-	-	-	-	-
	$ 162,187	$ 161,933	$ 58,533	$ 9,634	$ 31,582	$ 62,244

Management continually evaluates potential acquisitions. Such acquisitions will be completed utilizing uncommitted internal capital resources and debt or equity financing as is available. Such funding will be structured with the intent of not impairing Mosaic's ability to fund ongoing operations.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity and other price risk. The Company does not have any significant direct exposure to currency risk, commodity price risk or other price risk. Management believes the risk faced by the Company with regard to market risk is an acceptable risk faced in the ordinary course of business. General economic conditions globally, including relative strength of the Canadian dollar may adversely affect the value of the Company's business and the value of its financial instruments.

Interest Rate Risk

Mosaic is exposed to interest rate risk to the extent that some of its borrowings are at floating rates tied to bank prime rates which can change. The sensitivity in net income for each 1.0% change in annual interest rates on floating rate debt obligations outstanding as at September 30, 2017 is approximately $0.2 million (2016 - $0.2 million). The Company's notes payable bear a fixed interest rates, hence are not exposed to interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

As at September 30, 2017, Mosaic has no off-balance sheet arrangements, except as detailed under *"Liquidity – Contractual Obligations"*.

TRANSACTIONS WITH RELATED PARTIES

Rent of $0.5 million for the three months ended September 30, 2017 (2016 - $0.3 million) and $1.6 million for the nine months ended September 30, 2017 (2016 - $0.4 million) for space occupied by certain of Mosaic's subsidiaries was paid to entities controlled by minority partners within Mosaic's subsidiaries. These leasing arrangements are ongoing.

Related party transactions are in the normal course of operations and are recorded on an arms length basis.

There were no amounts outstanding to or from related parties as of September 30, 2017 (December 31, 2016 - $nil).

SUBSEQUENT EVENTS

Business Acquisition

Effective November 1, 2017, the Company acquired control of the business being carried on by Circle 5 Tool & Mold Inc., a supplier of molding solutions to tier 1 automotive part manufacturers based out of Windsor, Ontario. The $27.0 million acquisition of 75% of the successor business, Circle 5 Tool & Mold LP ("**Circle 5**"), was financed with $7.0 million from Mosaic's credit facility and $20.0 from the issuance of three-year, 7%, partnership units in a newly formed limited partnership that Mosaic controls. Circle 5 will be classified as part of Mosaic's Diversified business segment.

Credit Facility

In conjunction with the business combination of Circle 5, the Company amended certain terms of its 2017 Credit Facility effective November 1, 2017. Among other things, the definition of specified subsidiaries aggregate net funded debt was amended by removing vendor-take-back notes payable from the calculation.

PROPOSED TRANSACTIONS

Management is consistently having discussions and working with various third parties regarding potential corporate transactions. As of the date of this MD&A, the Company has not entered into any corporate transaction agreements or binding letters of intent and there is no assurance that any agreement will be entered into in the future or that any corporate transaction will be considered or completed.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accordingly, actual results may differ from these estimates, which are reviewed on an ongoing basis. A full discussion of Mosaic's critical judgements and accounting estimates is included in its 2016 annual audited consolidated financial statements.

This MD&A of the Company's financial condition, results of operations and cash flows are based on the financial statements which are prepared in accordance with IFRS. The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although care has been taken, anticipating future events cannot be predicted with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes. The critical accounting estimates and judgments are described in detail in Note 2 of Mosaic's audited consolidated financial statements for the years ended December 31, 2016 and 2015 and in the condensed interim consolidated financial statements for three and nine months ended September 30, 2017 and 2016.

BUSINESS RISKS AND UNCERTAINTIES

An investment in, and the businesses and operations of Mosaic are subject to a number of risks and uncertainties in the normal course of business. Such risks and uncertainties could have a negative effect on the Company's financial condition or results of operations. Management invests significant time to understand the risks associated with its portfolio companies. These risks range from macro-economic factors to industry-specific risks and individual business risks. It also includes risks that are largely beyond the Company's control such as weather, commodity prices and exchange rates. Based on the Company's assessment of the risks, management works on various risk mitigation strategies that may involve deployment of technology, business process improvement, individual business and market diversification and overall corporate portfolio diversification.

Mosaic has identified several significant risks in its most recent AIF under the heading *"Risk Factors".* Mosaic's AIF is available under Mosaic's profile on SEDAR at www.sedar.com or under the investors section of Mosaic's website at www.mosaiccapitalcorp.com.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the three and nine months ended September 30, 2017.

The accounting policies of Mosaic used in the determination of the results for the three and nine months ended September 30, 2017 and 2016 are described in detail in Note 3 of Mosaic's audited consolidated financial statements for the years ended December 31, 2016 and 2015. These policies have been applied in preparing the financial statements for the three and nine months ended September 30, 2017 and 2016.

Standards that are issued but not yet effective and that the Company reasonably expects to be applicable at a future date are listed below.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 was issued in November 2009 and is intended to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

A finalized version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Mosaic plans to adopt the new standard on the required effective date, and has assessed the new standard and does not expect it to have a material impact on its financial results and financial position.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the related interpretation when it becomes effective. Under IFRS 15, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to recognize revenue when the performance obligation is satisfied. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. Mosaic is developing a transition plan to implement IFRS 15. The Company has concluded on a preliminary basis to use the modified retrospective approach on transition date, in which a cumulative catch-up adjustment will be recorded through equity upon initial adoption. Furthermore, while the Company has not finalized the analysis, it is expected that the new standard will not have a material impact on its financial results and financial position. Additionally, management continues to monitor international developments of the standard as a component of the impact evaluation.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 - Leases. An entity applies IFRS 16 for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Mosaic is currently developing a transition plan to identify leasing contracts to determining the impact that the adoption of IFRS 16 may have on its financial statements.

NON-GAAP MEASURES

Mosaic has historically used various metrics when evaluating its operational and financial performance. Mosaic continually monitors, evaluates and updates these metrics as required to ensure they provide information considered most useful, in the opinion of Mosaic management, to any decision making based on Mosaic's performance. This section defines, quantifies and analyzes the key performance indicators used by management of Mosaic, and referred to elsewhere in this MD&A, which are considered non-Generally Accepted Accounting Principles ("**Non-GAAP**") financial measures that are not recognized under IFRS and have no standardized meaning prescribed by IFRS. Certain of these these indicators and measures are therefore unlikely to be comparable to similar measures presented by other issuers.

As disclosed in Mosaic's MD&A for the six months ended June 30, 2017, management has evaluated the material changes in Mosaic's capital structure arising from the Fairfax Financing transaction and has amended the definition, calculation and use of certain of its non-GAAP financial measures to reflect what it believes is the most appropriate. Of note, management has amended the following:

- Free Cash Flow (as defined in prior MD&A's) measure has been updated to also deduct cash financing costs. This change was made to reflect the Company's capital structure which now contains 5% Debentures, Convertible Debentures and the Company's potential increase in the use of interest bearing debt to support growth initiatives including 2017 Credit Facility and notes payable all of which will have a material impact on cash financing costs in the form of interest costs;

- Preferred Distribution Payout Ratio (as defined in prior MD&A’s) has had the Free Cash Flow input updated; and
- Combined Payout Ratio (as defined in prior MD&A’s) has had the Free Cash Flow input updated.

The following defines and reconciles the Non-GAAP financial measures used by management, which are referred to elsewhere in this MD&A.

Adjusted EBITDA and Free Cash Flow

"**Adjusted EBITDA**" is defined as income from operations before income taxes and before:

(i) gain (loss) on sale of equipment;

(ii) non-cash income and expenses;

(iii) finance costs;

(iv) equity-based compensation expense; and

(v) any unusual non-operating or one-time items such as acquisition, disposition and reorganization costs.

Adjusted EBITDA is a supplemental Non-GAAP financial measure. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than net income and comprehensive income or cash flows from operating activities as determined in accordance with IFRS or as an indicator of operating performance or liquidity. Management believes that Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results and cash generated by the principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions. The computation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies, and accordingly Adjusted EBITDA may not be comparable to measures used by other companies.

"**Free Cash Flow**" is defined as Adjusted EBITDA less:

(i) non-controlling interests' ("**NCI**") share of Adjusted EBITDA;

(ii) Mosaic’s share of net cash interest costs;

(iii) Mosaic's share of current income tax expense; and

(iv) Mosaic's share of sustaining capital expenditures.

Free Cash Flow is a supplemental Non-GAAP financial measure. Free Cash Flow should not be considered as an alternative to, or more meaningful than net income and comprehensive income or cash flows from operating activities before changes in non-cash working capital as determined in accordance with IFRS or as an indicator of operating performance or liquidity. Management believes that Free Cash Flow is a useful supplemental measure to assess funds generated by the principal business activities which are available to:

(i) service the Company’s existing equity structure which includes contractual payments of distributions on preferred securities and discretionary payment of dividends to holders of common shares;

(ii) make contractual repayments of principle (operating loans; credit facilities; notes; debentures; and convertible debentures);

(iii) investment in growth capital expenditures; and

(iv) to be retained by the Company.

The computation of Free Cash Flow may not be comparable to other similarly titled measures of other companies, and accordingly Free Cash Flow may not be comparable to measures used by other companies.

The following tables reconcile both Adjusted EBITDA and Free Cash Flow to income from continuing operations before income taxes:

	Three months ended Sep 30		Nine months ended Sep 30	
(in $000s, except as noted)	**2017**	2016	**2017**	2016
Net income and comprehensive	**$ 8,014**	$ 3,179	**$ 16,626**	$ 9,610
Add (deduct):				
Provision for income taxes	**1,411**	750	**-**	812
Change in fair value of common share purchase warrants	**(3,158)**	-	**(9,098)**	-
Share of joint venture income	**(112)**	48	**(340)**	(139)
Foreign exchange loss	**249**	(25)	**294**	(25)
Net financing costs	**2,207**	185	**4,601**	250
Equity-based compensation	**(179)**	334	**38**	659
Loss (gain) on sale of property, plant and equipment	**(25)**	50	**64**	51
Costs of proposed equity financing	**-**	-	**91**	-
Other (income) loss	**(19)**	279	**(19)**	279
Amortization:				
Intangible assets	**1,688**	690	**4,831**	2,064
Property, plant and equipment	**1,880**	1,157	**4,933**	3,080
Income-producing properties	**49**	49	**146**	146
Acquisition and financing costs	**215**	355	**665**	391
Adjusted EBITDA	**12,220**	7,051	**22,832**	17,178
Add (deduct):				
Non-controlling interest’s share of Adjusted EBITDA	**(3,592)**	(1,927)	**(7,144)**	(4,897)
Net cash interest expense	**(1,288)**	(185)	**(3,350)**	(250)
Mosaic’s share of:				
Current income tax provision	**(1,085)**	(656)	**(1,211)**	(862)
Sustaining capital expenditures	**(89)**	(115)	**(978)**	(512)
Free Cash Flow	**$ 6,166**	$ 4,168	**$ 10,149**	$ 10,657

Preferred Distribution Payout Ratio

"**Preferred Distribution Payout Ratio**" is a measure that management believes may be useful to investors in assessing the likelihood that Mosaic will be able to continue to pay distributions on its preferred securities and private yield securities and dividends on its Series "A" Shares. It is a percentage calculated as: (i) total amount declared (which includes cash paid as well as preferred securities distributed pursuant to the Mosaic distribution reinvestment plan ("**DRIP**")) to holders of preferred securities, private yield securities and Series "A" Shares during the period; divided by (ii) Free Cash Flow for the period. There is no comparable IFRS measure to the Preferred Distribution Payout Ratio. However, this ratio utilizes Free Cash Flow in its calculation and the most directly comparable measure under IFRS to Free Cash Flow is cash flows from operating activities before changes in non-cash in working capital. Accordingly, dividing (i) the total amount of distributions/dividends declared to holders of Mosaic preferred securities, private yield securities and Series "A" Shares during the period by (ii) cash flows from operating activities before changes in non-cash in working capital for the period, for each of the three-month and nine-month periods ended September 30, 2017, yields payout ratios of 25% (2016 – 58%) and 51% (2016 – 55%) respectively. The computation of Preferred Distribution Payout Ratio may not be comparable to other similarly titled measures of other companies, and accordingly Preferred Distribution Payout Ratio may not be comparable to measures used by other companies.

Combined Payout Ratio

"**Combined Payout Ratio**" is a measure that management believes may be useful to investors in assessing the likelihood that Mosaic will be able to continue to pay dividends on its common shares. It is a percentage calculated as: (i) total amount declared (which includes cash paid as well as preferred securities distributed pursuant to the DRIP) to holders of preferred securities, private yield securities, Series "A" Shares and common shares during the period; divided by (ii) Free Cash Flow for the period.

There is no IFRS measure comparable to Combined Payout Ratio. However, this ratio utilizes Free Cash Flow in its calculation and the most directly comparable measure under IFRS to Free Cash Flow is cash flows from operating activities before changes in non-cash in working capital. Accordingly, dividing (i) the total amount of distributions/dividends declared during the period to holders of Mosaic preferred securities, private yield securities, Series A Shares and common shares by (ii) cash flows from operating activities before changes in non-cash in working capital for the period, for each of the three month and nine month periods ended September 30, 2017, yields payout ratios of 43% (2016 – 77%) and 84% (2016 – 78%) respectively. The computation of Combined Payout Ratio may not be comparable to other similarly titled measures of other companies, and accordingly Combined Payout Ratio may not be comparable to measures used by other companies.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "forward-looking statements") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking statements. All information and statements in this MD&A which are not statements of historical fact may be forward-looking statements. Such statements and information may be identified by looking for words such as "may", "believe", "could", "expect", "will", "intend", "should", "plan", "objective", "predict", "potential", "project", "anticipate", "estimate", "continuous" or similar words or the negative thereof or other comparable terminology, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions.

Forward-looking statements included in this MD&A include, but are not limited to, statements with respect to:

- the business strategy and objectives of Mosaic;
- improvement in western Canadian portfolio and legacy portfolio contributions;
- Mosaic's management of acquisition risks;
- Acquisition opportunities meeting Mosaic’s investment criteria arising through increasing succession of SME business owners looking for liquidity;
- Mosaic's belief that its capital resources position will enable it to capitalize on future opportunities as they arise;
- the anticipated reduction in annual distributions to security holders resulting from the Fairfax Financing;
- the contingent purchase price payment payable by Mosaic pursuant to the Cedar acquisition;
- management's expectation that the revisions to Mosaic’s capital structure in Q1 2017, the deployment of capital into accretive acquisitions and organic growth opportunities will serve to reduce payout ratios;
- management's belief that Mosaic will be able to continue to meet its working capital requirements;
- the availability of the portion of the 2017 Credit Facility that is subject to completion of future acquisitions;
- the anticipated completion of acquisitions using uncommitted internal capital resources and debt or equity financing as available;
- the intention and ability of Mosaic to pay monthly dividends on its common shares;
- management's expectations concerning future plans, operations and expenditures;

- the competitive environment in which Mosaic and its business units operate;
- development plans, as well as acquisition and disposition plans, of Mosaic;
- the supply and demand for products and services;
- the reduction in Mosaic's overall cost of capital and positive impact on annual cash flow resulting from the Fairfax Financing;
- Mosaic's ability to fund the interest payable on its 6% senior preferred securities, 5% secured debentures and convertible debentures as well as Mosaic's ability to meet its current and future obligations to lenders or otherwise;
- the Warrants being fair-valued at each reporting period;
- Mosaic's ability to execute its growth strategy; and
- future accounting standards.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, as well as known and unknown risks and uncertainties, both general and specific that contributes to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. Such forward-looking statements or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in this MD&A.

Some of the assumptions made by Mosaic, upon which such forward-looking statements are based, include:

- the anticipated number of business owners to exit their businesses over the next ten years;
- the ability of Mosaic and its subsidiaries to access financing from time to time on favorable terms;
- current credit facilities will be adequate for managing the current operating needs of Mosaic's subsidiaries;
- management's belief that all receivables, net of allowances made for doubtful accounts, will be collected;
- the business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years;
- the ability of Mosaic to continue to make acquisitions satisfying its criteria and to realize anticipated benefits of acquisitions; and
- the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved.

A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to:

- economic and political conditions;
- fluctuations in commodity prices;
- lack of diversification;
- competition for acquisition candidates;
- the failure to identify, acquire and develop suitable acquisition targets;
- insufficient cash flows from subsidiaries;
- the inability to generate sufficient cash flow from operations to meet current and future obligations;
- the inability to obtain required debt and/or equity capital on acceptable terms or at all;
- unknown liabilities within acquired businesses; failure to realize benefits of acquisitions;

- the loss of key personnel;
- changes in tax law or other adverse tax consequences;
- changes in laws or regulations or the interpretation thereof;
- legal proceedings against Mosaic;
- potential conflicts of interest of directors and officers;
- impairment charges in goodwill or other intangible assets;
- cyber attacks or other breaches of information technology security;
- no guarantee of future dividend payments on its common shares or interest payments on its 6% senior preferred securities or 5% secured debentures;
- no guarantee of repayment of the principal outstanding under the Mosaic’s convertible debentures or 5% secured debentures;
- subordination and ranking of Mosaic’s 5% secured debentures, 6% senior preferred securities and convertible debentures;
- prevailing yields on similar securities; the lack of redemption rights attached to the 6% senior preferred securities;
- the lack of shareholder rights of holders of Mosaic’s 5% secured debentures, 6% senior preferred securities and convertible debentures;
- the inability of Mosaic to repurchase the 5% secured debentures or convertible debentures upon a change of control;
- risk of dilution from the conversion or redemption of the convertible debentures;
- no assurance of an active or liquid trading market for Mosaic’s securities;
- fluctuations in the market price of Mosaic’s securities;
- additional issuances of securities of Mosaic and dilution;
- risk of change of control as a result of Fairfax exercising the Warrants;
- restrictions under the governance agreement; potential conflicts of interest with Fairfax;
- Fairfax’s right to nominate a majority of the board of directors of Mosaic if interest is deferred under the 6% senior preferred securities;
- risk of dilution from exercise of the Warrants held by Fairfax;
- diversion of management to manage issues in Mosaic's operating subsidiaries;
- shift of management's focus to integration, administration or unforeseen business or operating issues; declining employee morale and employee retention issues;
- integration of subsidiary administrative systems;
- lack of sufficient business and financial controls or other procedures or policies within acquired entities;
- fluctuations in operating performance and seasonality;
- economic conditions at both the domestic and international level;
- execution risk under project contracts;
- foreign exchange risk;
- lack of diversity of customer base;
- failure to retain customers;
- contractual risks, including indemnity obligations;
- competition in industries in which Mosaic's subsidiaries operate;
- adverse weather conditions;
- uninsured and underinsured losses;
- failure to attract qualified employees or interruption of the labour supply;
- illiquidity of investments;
- the speculative nature of Mosaic's investments due to the small size of the acquired businesses;
- damage to brand reputation;
- risks inherent in Mosaic's ownership of real property;
- illiquidity of investments in real property;

- weakness in the commercial property market in target markets;
- uncertainties relating to the ability to move development land through the development and regulatory approval process in a timely manner;
- inability of tenants to fulfill lease obligations;
- fixed costs of ownership of real property; and
- environmental liabilities.

Although the forward-looking statements contained in this MD&A are based upon what Mosaic's management believes to be reasonable assumptions, Mosaic cannot assure investors that actual results will be consistent with such information. Forward-looking statements reflect management's current beliefs and are based on information currently available to Mosaic. Mosaic cautions readers of this MD&A not to place undue reliance on Mosaic's forward-looking statements because a number of factors, such as those referred to in the paragraph above, could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements contained in this MD&A. The forward-looking statements are made as of the date of this MD&A and Mosaic assumes no obligation to update or revise such information to reflect new events or circumstances, except as may be required by applicable law.