MOSAIC CAPITAL CORPORATION

Management's Discussion and Analysis
For the Three Months Ended March 31, 2018

"Growth through sustainable cash flow"

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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 months ended March 31, 2018, should be read in conjunction with Mosaic's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017, the audited consolidated financial statements for the years ended December 31, 2017 and 2016, the annual MD&A for the year ended December 31, 2017 and the annual information form ("**AIF**") for the year ended December 31, 2017. The three-month periods ended March 31, 2018 and 2017 are herein referred to as "**Q1**". The financial statements have been prepared in Canadian dollars, in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was prepared effective May 14, 2018.

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"*.

SELECT FINANCIAL HIGHLIGHTS

Financial Results

For the three months ended March 31, *(in $000s, except as noted)*	**2018**	2017	$ Change
Revenue	**$ 68,000**	$ 58,109	17%
Adjusted EBITDA [(1)]	**$ 1,783**	$ 5,262	-66%
per share	***$ 0.17***	*$ 0.52*	*-70%*
as a % of revenue	***2.6%***	*9.1%*	*-71%*
Net income	**$ 5,891**	$ 1,010	483%
Net income (loss) attributable to equity holders	**$ 6,712**	$ (2,425)	377%
per share	***$ 0.63***	*$ (0.26)*	*341%*
Free Cash Flow [(1)]	**$ (891)**	$ 2,572	-135%
per share	***$ (0.08)***	*$ 0.25*	*-130%*
Preferred securities distributions declared [(2)]	**$ 1,479**	$ 2,216	-33%
Common share dividends declared	**$ 1,113**	$ 1,093	2%
per share	***$ 0.11***	*$ 0.11*	-
TTM Preferred Distribution Payout Ratio [(1)]	**73%**	108%	
TTM Combined Payout Ratio [(1)]	**127%**	141%	
Weighted avg. common shares outstanding	**10,573,667**	9,205,410	

Financial Position

As at *(in $000s, except as noted)*	**March 31, 2018**	December 31, 2017
Cash and cash equivalents	**$ 15,928**	$ 9,400
Working capital	**$ 60,869**	$ 66,352
Total assets	**$ 320,320**	$ 328,933
Loans and borrowings	**$ 116,787**	$ 109,811
Liabilities exchangeable with equity	**$ 31,610**	$ 45,820
Equity	**$ 77,219**	$ 65,770
Non-controlling interests	**$ 47,551**	$ 57,993
Common share and other securities outstanding:		
Common shares	**10,573,667**	10,573,667
Common share purchase warrants	**17,026,106**	17,026,106
Convertible debentures	**13,124**	13,124
Options and restricted share units	**675,682**	675,682

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"*.

(2) Includes distributions on preferred securities and private yield securities and dividends on Series A Shares of Mosaic for 2017.

For the three months ended March 31, 2018, Mosaic:

- increased revenue by 17% over Q1 2017, largely driven by the acquisition of new portfolio companies during 2017;
- generated Adjusted EBITDA of $1.8 million which was a decrease of 66% over the prior year period, as certain of Mosaic's portfolio companies experienced project delay and an unfavourable product mix;
- experienced trailing 12-month ("**TTM**") Free Cash Flow of $8.2 million;
- had a TTM Combined Payout Ratio of 127%, which was an improvement from the TTM Q1 2017 ratio of 141%;
- maintained a healthy balance sheet with $15.9 million in cash, $60.9 million in working capital and Total Debt (defined herein) to EBITDA leverage of 1.74; and
- settled a put option with a non-controlling interest partner of Industrial Scaffold increasing Mosaic's ownership from 67.5% to 90.0%, finalizing the founder's succession plan while leaving a 10.0% interest with the operating management team.

NATURE OF OPERATIONS

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.

	Business Segments			
	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 • tool & mold fabrication • 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.

OUTLOOK

Notwithstanding an overall bias to measure portfolio results and create value on a long-term basis, Management is disappointed with the Company's first quarter 2018 financial and operating results. The shortfall from expectations was largely a result of lingering winter weather which delayed the normal spring ramp-up in project related activity levels. This negative impact was largely centered within the Company's Infrastructure segment which has a greater exposure to construction and industrial development activity levels. Compounding this, the Company's Energy segment experienced certain challenges related to a reduction in customer expenditure levels due to wide commodity price differentials in Canada. While we are pleased with the improved performance of certain companies in our Diversified segment, the sequential gains were not sufficient to offset the negative impacts in our other business segments.

As we progress into the second quarter of 2018, we are pleased to see more supportive operating conditions and the commencement of a large number of the delayed projects. Reflecting on this, we expect to see sequential and year-over-year EBITDA growth in the second and third quarters of 2018 as our portfolio companies capitalize on a large suite of delayed projects.

Mosaic's growth strategy is centered on the acquisition of controlling equity interests in new portfolio companies with a specific focus on growing Free Cash Flow per share while maintaining a strong balance sheet. Supplementing this, Mosaic's management team adds value with strong operational and strategic focus by actively engaging with its portfolio companies to improve results and capture growth opportunities.

RESULTS OF OPERATIONS

Revenue and Adjusted EBITDA

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Revenue	$	**68,000**	$	58,109	17%
Operating expenses		**66,217**		52,915	25%
Adjustments to EBITDA		**-**		(68)	-100%
Adjusted EBITDA [(1)]		**1,783**		5,262	-66%
as a % of revenue		***2.6%***		*9.1%*	

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

Revenue for Q1 2018 increased 17% or $9.9 million to $68.0 million as compared to Q1 2017, largely driven by the addition of revenue from acquisitions made during 2017.

For the three months ended March 31, 2018, Adjusted EBITDA decreased 66% or $3.5 million to $1.8 million as compared to Q1 2017. The decline was predominantly driven by weather-related and customer specific project delays, unfavourable changes in product mix and competitive pressures on operating margins which was partially offset by Corporate costs declining due to the internalization of certain activities. The Adjusted EBITDA margin declined 650-basis points in Q1 2018 as compared to the prior year period as noted above.

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

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Revenue:					
Infrastructure	$	**42,706**	$	39,947	7%
Diversified		**22,570**		15,486	46%
Energy		**2,655**		2,510	6%
Real Estate		**69**		166	-58%
Corporate		**-**		-	-
Total revenue	**$**	**68,000**	$	58,109	17%
Adjusted EBITDA [(1)]:					
Infrastructure	$	**714**	$	3,508	-80%
Diversified		**2,781**		3,158	-12%
Energy		**11**		569	-98%
Real Estate		**(114)**		(38)	-200%
Corporate		**(1,609)**		(1,935)	17%
Total adjusted EBITDA	**$**	**1,783**	$	5,262	-66%
as a % of revenue		***2.6%***		*9.1%*	

Note:
(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, Bassi, Cedar, Place-Crete and SECON. The following summarizes the operating financial performance of the Infrastructure business segment:

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Revenue	$	**42,706**	$	39,947	7%
Operating expenses		**41,992**		36,439	15%
Adjusted EBITDA [(1)]	**$**	**714**	$	3,508	-80%
As a % of revenue		***1.7%***		*8.8%*	

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

Revenue for the first quarter of 2018 increased 7% or $2.8 million over Q1 2017, primarily due to the inclusion of revenue from Cedar which was acquired effective May 1, 2017 and improved activity levels at Place-Crete and SECON. The overall increase was partially offset by a decline in contracting activity and pricing at Ambassador.

For Q1 2018, Adjusted EBITDA decreased 80% or $2.8 million over Q1 2017. Although Cedar was added for this quarter, its operations are seasonally slow in the winter period, hence its EBITDA contributions for Q1 are negative. Furthermore, project delays and a lower-margined product mix within Bassi's operations and increased competition pressuring volume and margins in Ambassador's operating region negatively impacted the segment's overall EBITDA. Place-Crete and SECON both posted marginally increased EBITDA in line with their respective increases in revenue. On a margin basis, Adjusted EBITDA declined 700-basis points quarter-over-quarter largely driven by the product mix realized by Bassi and lower operating margins realized by Ambassador and Cedar.

Diversified Business Segment

The Diversified business segment includes the operations of Circle 5, Industrial Scaffold, Kendall's Supply, Mackow and Printing Unlimited. The following summarizes the operating financial performance of the Diversified business segment:

For the three months ended March 31, *(in $000s, except as noted)*	**2018**	2017	% Change
Revenue	**$ 22,570**	$ 15,486	46%
Operating expenses	**19,789**	12,328	61%
Adjusted EBITDA [(1)]	**$ 2,781**	$ 3,158	-12%
as a % of revenue	***12.3%***	*20.4%*	

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

Revenue for Q1 2018 increased 46% or $7.1 million over Q1 2017 primarily due to increased activity at Industrial Scaffold and the inclusion of the operations of Circle 5 acquired effective November 1, 2017.

For the first quarter of 2018, Adjusted EBITDA decreased 12% or $0.4 million over Q1 2017. This was mostly attributed to Mackow experiencing changes in product mix and Industrial Scaffold experiencing margin compression to achieve incremental revenue growth. On a margin basis, Adjusted EBITDA weakened by 800-basis points quarter-over-quarter as a result of the product mix and margin compression noted above combined with Circle 5 experiencing customer project delays which temporarily impacted normal operating margins.

Energy Business Segment

The Energy business segment includes the operations of Allied Cathodic and Remote Waste. The following summarizes the operating financial performance of this segment:

For the three months ended March 31, *(in $000s, except as noted)*	**2018**	2017	% Change
Revenue	**$ 2,655**	$ 2,510	6%
Operating expenses	**2,644**	1,941	36%
Adjusted EBITDA [(1)]	**$ 11**	$ 569	-98%
as a % of revenue	***0.4%***	*22.7%*	

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

The quarter-over-quarter revenue increase of 6% or $0.1 million was largely attributable to Remote Waste's expansion into the Texas, United States oilfield services market.

Adjusted EBITDA declined 98% or $0.6 million over Q1 2017, as the local markets in which the segment operations remain extremely competitive and Canadian industry activity levels continue to be soft. Adjusted EBITDA margins weaken 2,230-basis points as Remote incurred more fixed costs associated with solidifying the expansion into the Texas, United States market and all companies within this segment continue to experience pricing pressure as management continues focus on market share retention.

Real Estate Business Segment

The Real Estate business segment operates as FWPLP. The following summarizes the operating financial performance of this segment:

For the three months ended March 31, *(in $000s, except as noted)*	**2018**	2017	% Change
Revenue	**$ 69**	$ 166	-58%
Operating expenses	**183**	204	-10%
Adjusted EBITDA [(1)]	**$ (114)**	$ (38)	-200%
as a % of revenue	***-165.2%***	*-22.9%*	

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

This segment contains assets that have been reclassed as property held for sale with an aggregate net book value of $8.1 million and an investment in a joint venture with a carrying value of $2.0 million as at March 31, 2018. The decrease in Adjusted EBITDA quarter-over-quarter was primarily due to higher vacancy rates in the commercial properties and is a reflection of the soft western Canadian economy.

Corporate

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Operating expenses	$	1,609	$	2,003	-20%
External acquisition costs		-		(68)	-100%
Adjusted EBITDA	$	(1,609)	$	(1,935)	17%

Note:
(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 decrease in corporate expenses quarter-over-quarter, was primarily due to Mosaic internalizing certain activities and Q1 2016 had internal costs associated with financing activities completed in the quarter.

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.

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Amortization expense:					
Income producing properties	$	-	$	49	-100%
Property, plant and equipment		1,907		1,417	35%
Intangible assets		3,381		1,531	121%
Total amortization expense	$	5,288	$	2,997	76%

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

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Equity-based compensation	$	174	$	(205)	185%

During Q1 2017, adjustments were made to the estimates for the Company's equity-based compensation plans which resulted in the net increase of 185% quarter-over-quarter. Equity-based compensation is a non-cash expense.

Net Financing Costs

For the three months ended March 31, *(in $000s, except as noted)*		2018		2017	% Change
Interest:					
Expense	$	1,875	$	987	90%
Income on cash and cash equivalents		(28)		(39)	-28%
Accretion expense		657		49	1,241%
Amortization of debt issue costs		126		36	250%
Net finance costs	$	2,630	$	1,033	155%
as a % of average debt outstanding		*8.5%*		*6.2%*	

During 2017, the Company issued $50.0 million of Debentures and $20.0 million of Redeemable NCI. The increase in the effective net finance costs quarter-over-quarter was largely driven by the realignment of the Company's capital structure during fiscal 2017. Refer to *"Capital Resources – Loans and Borrowings"* for details on Mosaic's debt facilities. 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 6.0% for Q1 2018 (Q1 2017 – 5.9%) which is consistent with Mosaic's overall debt facilities.

Share of Joint Venture Income

For the three months ended March 31, *(in $000s, except as noted)*		**2018**		2017	% Change
Share of joint venture loss (income)	**$**	**13**	$	(184)	-107%

The joint venture is between FWPLP and Harbour Equity Capital Corp. which is developing an industrial park near Regina, Saskatchewan. In Q1 2018, Mosaic realized a $13,000 loss. As of March 31, 2018, 48% of project has been sold.

Change in Fair Value

For the three months ended March 31, *(in $000s, except as noted)*		**2018**		2017	% Change
Common share purchase warrants	**$**	**(8,983)**	$	863	1,141%
Non-controlling interest put option redemption		**(1,242)**		-	-
Change in fair value	**$**	**(10,225)**	$	863	1,285$

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 $10.2 million in Q1 2018, was driven by the decline in the Company's common share market price since December 31, 2017 which decreases the derivative liability's fair value.

Provision for Income Tax

For the three months ended March 31, *(in $000s, except as noted)*		**2018**		2017	% Change
Income before income taxes	**$**	**4,135**	$	557	642%
Provision for income taxes		**(1,679)**		(453)	271%
effective income tax rate		***-41%***		*-81%*	

Included in Q1 2018 was a current tax provision of $0.2 million offset by a deferred tax reduction of $1.9 million. The variance from the expected tax provision was predominately the result of the change in fair value of the Warrants and distributions made to preferred security holders having different attributes for tax purposes than accounting under IFRS and amortization for intangible assets for accounting being in excess of that which is available for tax purposes.

At March 31, 2018, Mosaic has accumulated non-capital losses for income tax purposes of $46.0 million (December 31, 2017 - $38.1 million) which expire between 2031 and 2038 and $0.6 million (December 31, 2017 - $0.6 million) of capital loss carry forwards available to reduce future years' capital gains.

Net Income and Comprehensive Income

For the three months ended March 31, *(in $000s, except as noted)*		**2018**		2017	% Change
Net income (loss) and comprehensive income (loss) attributable to:					
Equity holders of Mosaic Capital Corporation	**$**	**6,712**	$	(2,425)	377%
Preferred dividends/distributions		**1,479**		2,485	40%
Non-controlling interests		**(2,300)**		950	-342%
Net income and comprehensive income	**$**	**5,891**	$	1,010	483%
Earnings (loss) per share [(1)]:					
Basic	**$**	**0.63**	$	(0.26)	339%
Diluted	**$**	**0.56**	$	(0.26)	313%

Note:
(1) Pursuant to IFRS, earnings per share are calculated after giving effect to distributions on securities which rank in priority to common shares.

For Q1 2018, Mosaic recognized net income and comprehensive income of $5.9 million compared to $1.0 million in Q1 2017. Mosaic allocated a loss of $2.3 million (2017 - income of $1.0 million) to non-controlling interests.

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 Q1 2018, basic earnings per share was $0.63 (Q1 2017 - basic loss per share $0.26) and diluted earnings per share was $0.56 (Q1 2017 - diluted loss per share $0.26).

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as notes)	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Revenue	$ 68,000	$ 88,650	$ 95,656	$ 69,726	$ 58,109	$ 50,859	$ 57,811	$ 48,720
Adjusted EBITDA	1,783	5,196	12,220	5,350	5,262	3,299	7,051	5,175
Net income (loss)	5,891	(9,509)	8,013	7,603	1,010	(2,063)	3,179	3,547
Net income (loss) attributable to equity holders	$ 6,712	$ (11,787)	$ 3,985	$ 5,019	$ (2,425)	$ (2,063)	$ 3,179	$ 3,547
Earnings (loss) / common share[(1)]								
Basic	$ 0.63	$ (1.12)	$ 0.38	$ 0.48	$ (0.26)	$ (0.45)	$ (0.18)	$ (0.13)
Diluted	$ 0.56	$ (1.12)	$ 0.32	$ 0.40	$ (0.26)	$ (0.45)	$ (0.18)	$ (0.13)

Note:

(1) Net income (loss) attributable to equity holders 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 fluctuations in activity and financial performance. Furthermore, the timing of the acquisitions of Mackow (August 2016), Bassi (December 2016), Cedar (May 2017) and Circle 5 (November 2017) have impacted the quarterly results following their acquisition date.

In the fourth quarter of 2017, Mosaic recognized an impairment charge of $3.8 million (fourth quarter of 2016 - $6.8 million) which adversely impacts the net income and earnings per common share in the respective reporting period.

The impact on net income (loss) caused by the fair value adjustments of the common share purchase warrants is:

(in $000s, except as notes)	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Change in fair value	$ (8,983)	$ 4,336	$ (3,157)	$ (6,805)	$ 863	$ -	$ -	$ -

LIQUIDITY

For the three months ended March 31, *(in $000s, except as noted)*	**2018**	2017
Net cash provided by (used in):		
Operating activities	**$ 8,212**	$ (1,021)
Investing activities	**(1,371)**	(1,477)
Financing activities	**(313)**	(1,387)
Net increase (decrease) in cash	**$ 6,528**	$ (3,885)

Operating Activities

For Q1 2018, the Company generated $8.2 million in cash from operating activities. Cash used by operating activities before non-cash working capital items was $0.2 million (2017 - generated $4.2 million).

Mosaic's subsidiaries have an aggregate of $37.1 million in available operating facilities of which $1.9 million has been drawn as of March 31, 2018. 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 March 31, 2018, $21.5 million was drawn on the facility.

As at March 31, 2018, Mosaic had working capital of $60.9 million (December 31, 2017 - $66.4 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 $1.4 million for in the first quarter of 2018. Net cash used included:

- The gross investment of $2.0 million in capital expenditures or $1.7 million, net of disposal proceeds and financing as detailed below; and
- the receipt of $0.4 million in distributions from the Company's real estate joint venture.

Capital Expenditures

For Q1 2018, Mosaic invested $2.0 million gross and $1.9 million net of disposals, 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	$ 200	$ 164	**$ 364**
Diversified	1,159	245	**1,404**
Energy	111	153	**264**
Real estate	-	-	**-**
Corporate	-	-	**-**
	1,470	562	**2,032**
Capital expenditures, financed			**(151)**
Capital expenditures, net of financing			**1,881**
Proceeds on disposal of equipment			**(139)**
Capital expenditures, net of financing and proceeds on disposal			**$ 1,742**

Growth expenditures within the Diversified segment include costs to expand Industrial Scaffolding's operating capacity.

Financing Activities

Net cash used in financing activities was $0.3 million in Q1 2018. Net cash used included:

- a draw of $1.9 million on operating facilities;
- the net draw of $2.1 million on the Credit Facility;
- the net payment of $0.5 million in notes payable;
- $1.1 million in dividends paid to the common share holders (see below);
- $1.5 million in distributions paid to the Preferred Securities holders (see below); and
- the payment of $1.2 million to non-controlling interests.

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.

During Q1 2018, a net loss of $2.3 million (Q1 2017 – net income of $1.0 million) was allocated to non-controlling interests and distributions of $1.2 million (Q1 2017 - $0.6 million) were paid to holders of the non-controlling interests.

Preferred Securities

Information regarding the distributions declared and paid to holders of Preferred Securities for Q1 2018 and 2017 are set forth below.

(in $000s, except as noted)	**2018**	2017
January	**$ -**	$ 1,148
February	**-**	-
March	**1,479**	1,068
	$ 1,479	$ 2,216

Common Share Dividends

Information regarding dividends declared and paid to holders of common shares for Q1 2018 and 2017 are set forth below.

	2018		2017	
(in $000s, except as noted)	**Per Share**	**Total**	Per Share	Total
January	$ 0.035	$ 371	$ -	$ -
February	0.035	371	-	-
March	0.035	371	0.105	1,093
	$ 0.105	$ 1,113	$ 0.105	$ 1,093

Mosaic is currently intending to declare dividends of $0.42 per common share per annum. Effective April 2017, Mosaic changed the common share payment frequency to a monthly basis (previously quarterly basis).

Mosaic's has a dividend re-investment plan ("**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

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. As such, the Company has changed its payout ratio reporting to a TTM basis to normalize the impact of quarterly variances.

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

(in $000s, except as noted)	**Q2 2017**	**Q3 2017**	**Q4 2017**	**Q1 2018**	**TTM Q1 2018**
Free Cash Flow[(1)]	$ 1,695	$ 6,166	$ 1,232	$ (891)	$ 8,202
Preferred security distributions	1,496	1,512	1,512	1,479	5,999
Common share dividends	1,111	1,114	1,114	1,113	4,452
Total equity based distributions	$ 2,607	$ 2,626	$ 2,626	$ 2,592	$ 10,451
Payout Ratios:					
Preferred Distribution					73%
Combined Distribution					127%

(in $000s, except as noted)	Q2 2016	Q3 2016	Q4 2016	Q1 2017	TTM Q1 2017
Free Cash Flow[(1)]	$ 3,548	$ 4,168	$ 1,069	$ 2,572	$ 11,357
Preferred security distributions	3,284	3,255	3,255	2,485	12,280
Common share dividends	863	864	865	1,093	3,685
Total equity based distributions	$ 4,147	$ 4,119	$ 4,121	$ 3,578	$ 15,965
Payout Ratios:					
Preferred Distribution					108%
Combined Distribution					141%

Note:

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

Contractual Obligations

The Company has entered into operating leases for office, shop and equipment. The following are the future commitments related to these agreements:

(in $000s, except as noted)	Amount
2018	$ 2,682
2019	2,956
2020	2,233
2021	1,858
2022	1,440
Thereafter	2,536
	$ 13,705

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.

CAPITAL RESOURCES

At March 31, 2018, Mosaic had cash and cash equivalents of $15.9 million, working capital of $60.9 million and $63.7 million in aggregate undrawn credit facilities.

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	**Mar 31, 2018**	Dec 31, 2017
Infrastructure						
Ambassador	Revolving demand	$ 3,000	AR & INV	AA	**$ -**	$ -
Bassi	Revolving demand	2,000	75% of AR	GSA & AA	**34**	-
Cedar	Revolving demand	1,800	75% of AR	GSA	**-**	-
Place-Crete	Revolving demand	4,000	75% of AR	GSA	**-**	-
SECON	Revolving demand	6,800	75% of AR	GSA & AA	**1,086**	-
SECON	5-year term	4,000	CAPEX	GSA & AA	**-**	-
		21,600			**1,120**	-
Diversified						
Circle 5	Revolving demand	5,000	AR & INV	GSA	**-**	-
Mackow	Revolving demand	3,000	AR & INV	GSA	**804**	-
Industrial Scaffold	Revolving term	7,500	75% AR	GSA & AA	**-**	-
		15,500			**804**	-
Total		**$ 37,100**			**$ 1,924**	**$ -**

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

Credit Facility

On January 24, 2017, as amended June 30, 2017 and October 17, 2017, the Company entered into a three year, $50.0 million committed revolving credit facility (the "**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 Credit Facility bears interest at rates ranging from bank prime plus 0.50% - 1.50%. The 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 wholly-owned subsidiaries. As at March 31, 2018, $21.5 million (December 2017 - $19.4 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:

					Balance Outstanding	
	Facility Type	Term	Interest	Security	**Mar 31, 2018**	Dec 31, 2017
Infrastructure						
Bassi	VTB note	Nov 2019	5.5%	Bassi GSA & MG	**$ 3,000**	$ 3,000
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	**4,333**	4,333
Place-Crete	VTB loan	Aug 2017	5.0%	Plate-Crete OP	**-**	-
Plate-Crete	Promissory note	Jan 2020	5.0%	Plate-Crete GSA	**305**	335
SECON	VTB loan	Aug 2017	5.0%	SECON OP	**-**	-
SECON	Promissory note	N/A	0.0%	N/A	**-**	-
					7,638	7,668
Diversified						
Printing Unlimited	Term loan	Oct 2020	P + 0.75%	Mortgage	**560**	562
Mackow	VTB loan	July 2019	5.0%	Mackow GSA	**3,501**	4,059
Industrial Scaffold	Promissory note	Jan 2021	5%	-	**6,221**	-
					10,282	4,621
Real Estate						
FWPLP	Term loan	20 years	P + 1.0%	Mortgage	**420**	425
FWPLP	Demand loan	20 years	P + 1.0%	Mortgage	**2,067**	2,096
					2,487	2,521
All segments	Equipment and leasehold	< 5 years	< P + 0.5%	GSA & FC	**2,498**	1,905
All segments	Finance leases	< 5 years	< 9.6%	FC	**5,416**	6,061
All segments	Unamortized discount				**(858)**	(463)
Liabilities associated with assets held for sale					**(2,487)**	(2,521)
Total notes payable					**24,976**	19,792
Current portion					**(6,614)**	(4,634)
Non-current portion					**$ 18,362**	$ 15,158

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

Debentures

Mosaic has 50,000, Debentures, with a face value of $1,000 (one thousand) each issued and outstanding. Interest of 5% is payable semi-annually, mature on January 26, 2024, are not redeemable before maturity, and The Debentures carry 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 following summarizes the Debentures carrying value:

As at *(in $000s, except as noted)*		**March 31, 2018**		December 31, 2017
Principal amount	**$**	**50,000**	$	50,000
Unamortized discount		**(2,791)**		(2,879)
Unamortized transaction costs		**(115)**		(120)
	$	**47,094**	4	47,001

Convertible Debentures

The Company has 13,124 (December 31, 2017 - 13,124) convertible unsecured subordinated debentures ("**Convertible Debentures**"), with a face value of $1,000 (one thousand) 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 carrying value of the convertible debentures were as follows:

As at *(in $000s, except as noted)*		**March 31, 2018**		December 31, 2017
Debt component				
Principal amount	**$**	**13,124**	$	13,124
Less:				
Unamortized transaction costs		**(1,117)**		(1,169)
Equity component		**(944)**		(944)
Accumulated accretion expense		**458**		373
	$	**11,521**	$	11,384
Equity component				
Amount allocated to equity	**$**	**944**	$	944
Less:				
Allocated deferred financing fees and deferred taxes		**(122)**		(128)
	$	**822**	$	816

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

Note:
"**CSP**" – common share price

The Convertible Debentures are direct, subordinated unsecured obligations of the Company, subordinated to the 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 March 31, 2018, Mosaic had 17.0 million Warrants with a carrying value of $6.8 million (December 31, 2017 - $15.8 million) 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 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 – Warrants"* for additional details.

Redeemable Non-Controlling Interest

On October 17, 2017, Mosaic issued $20,000 of subordinated partnership units ("**Redeemable NCI**") in a newly formed limited partnership controlled by Mosaic. The Redeemable NCI bears interest at 7.0% per annum, matures on December 31, 2020 and is secured by a security interest in the assets of Circle 5. Mosaic incurred $0.6 million in transaction costs.

As at *(in $000s, except as noted)*		**March 31, 2018**		December 31, 2017
Principal amount	**$**	**20,000**	$	20,000
Unamortized transaction costs		**(524)**		(570)
		19,476	$	19,430

Non-Controlling Interest Put Option

The Company has entered into agreements with certain of its non-controlling interest partners whereby the agreements contain a put option, which provides the holder with the right to require the Company to purchase their retained interest for deemed fair market value at the time the put is exercised. The Company also negotiated reciprocal call options, which would require the same non-controlling interests to sell their retained interest to Mosaic for deemed fair market value at the time the call is exercised. The put and call options are exercisable between now and December 31, 2023. Upon the occurrence of certain unusual events, the put and call option exercise periods are accelerated.

Effective January 1, 2018, Industrial Scaffold settled a put option with a non-controlling interest. Under terms of the limited partnership agreement, Industrial Scaffold redeemed the 25% non-controlling interest for $6.2 million payable over 3 years in equal annual installments in the form of a promissory note bearing interest at 5.0% per annum. The Company now owns 90% of Industrial Scaffold.

The liability recognized in connection with the put options has been estimated using the guidance as defined in the agreements. The estimated future payment obligation is then discounted to its present value at each statement of financial position date. The significant unobservable inputs include the puts being exercised between now and six years at a notional aggregate fair value of $13.3 million using a discount rate of 10.0%. An increase in the deemed fair market value or a reduction in the discount rate would increase the put liability.

Equity

Equity increased $11.4 million to $77.2 million at March 31, 2018 from $65.8 million at December 31, 2017. The increase was mainly attributable to the settlement of the Industrial Scaffold put option and the net income and comprehensive income generated in the quarter. Refer to *"Capital Resources – Loans and Borrowings – Non-Controlling Interest Put Option"*.

Preferred Securities

Mosaic has 10.0 million, Preferred Securities, with a face value of $10 (ten) each issued and outstanding. The 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 Convertible Debentures. The Preferred Securities are not redeemable by Mosaic before January 26, 2022 (the "**Call Date**"). After the Call Date, the Preferred Securities may be redeemed at the option of Mosaic at a price per Preferred Security equal to the greater of: (i) $10 (ten); and (ii) the ten-day volume weighted average trading price of the Preferred Securities.

Securities Data

As at May 14, 2018, the following are numbers of securities and principal amount of Mosaic’s issued and outstanding securities:

(in $000s, except share amounts)	Number Outstanding	Principal Amount
Designation of class:		
Debentures	50,000	$ 50,000
Convertible Debentures	13,124	$ 13,124
Preferred Securities	10,000,000	$ 100,000
Common shares [(1)]	10,608,058	N/A
Share options	738,258	N/A
Restricted security units	321,855	N/A
Warrants	17,026,106	N/A

Note:

(1) As at March 31, 2018, 253,589 common shares had been purchased and are being held by the trustee under the Mosaic equity-based compensation plan for the benefit of the plan participants.

Non-controlling Interests

Separate from equity, non-controlling interests were $47.6 million at March 31, 2018 compared to $58.0 million at December 31, 2017. The decrease was largely attributable to the settlement of the Industrial Scaffold put option. Refer to *"Capital Resources – Loans and Borrowings - Non-Controlling Put Option"* for details.

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 utilizes a combination of debt and equity instruments. This capital mix is regularly monitored to ensure all externally imposed capital compliance requirements of the Company, including financial covenants are maintained.

Credit Facility

Under its 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 Credit Facility as of March 31, 2018.

The following summarizes the key financial covenant requirements and compliance calculations as at March 31, 2018:

(in $000s, except as noted)	Requirement	Calculated	Compliant
Total Debt to Gross EBITDA	< 3.00	1.74	Yes
Net Funded Debt to EBITDA	< 3.00	1.90	Yes
Fixed Charge Coverage	> 1.10	1.60	Yes
Aggregate Subsidiary Net Funded Debt to EBITDA	< 0.50	0.34	Yes

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

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

March 31, (in $000s, except as noted)	**2018**
Debt:	
Operating loans	**$ 1,237**
Credit facility	**21,464**
Notes payable	**27,464**
Convertible Debenture (debt and equity portions)	**12,343**
Total Debt	**62,508**
Less Mosaic's share of cash	**(12,465)**
Net Funded Debt	**$ 50,043**
TTM EBITDA:	
Gross	**$ 36,001**
Mosaic share	**$ 26,285**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.00)	**1.74**
Net Funded Debt to Mosaic EBITDA (less than 3.00)	**1.90**

Fixed Charge Coverage Ratio

March 31, (in $000s, except as noted)	2018
TTM Cash Flow	
EBITDA Mosaic Share	$ 26,285
Less:	
Mosaic's portion of unfunded sustaining capital expenditures	-
Mosaic's portion of cash taxes	(1,992)
Total TTM Cash Flow	$ 24,293
TTM Fixed Charges	
Distributions / Dividends:	
Preferred securities	$ 6,000
Common shares	4,452
Interest expense	5,803
Repayment of notes payable	6,663
Less prescribed % of consolidated cash on hand	(7,733)
Total TTM Fixed Charges	$ 15,185
Financial covenant:	
Fixed Charge Coverage (more than 1.10)	1.60

Aggregate Subsidiary Net Funded Debt to EBITDA Ratio

March 31, (in $000s, except as noted)	2018
Subsidiary Net Funded Debt	$ 10,608
Subsidiary EBITDA	$ 31,092
Financial covenant:	
Subsidiary Net Funded Debt to EBITDA (less than 0.50)	0.34

Operating Facilities

Under its various operating facilities, 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 December 31, 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
Bassi	At any time	N/A	N/A	> $2.0 million	Yes
Cedar	At any time	N/A	N/A	N/A	Yes
SECON	Annual	> 1.20	< 2.5	N/A	Yes
Diversified					
Industrial Scaffold	At any time	N/A	< 1.5	N/A	Yes
Mackow	At any time	>1.20	<3.0	N/A	Yes
Circle 5	At any time	>3.00	<1.2	N/A	Yes
Real Estate					
FWPLP	Annual	> 1.35	N/A	N/A	Yes

Debentures

The 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 Debentures. Gross EBITDA is defined as gross earnings before interest, taxes, depreciation and amortization. Mosaic is in compliance with this covenant as at March 31, 2018.

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	Amortized cost
Trade, accrued and other receivables	Amortized cost
Trade, accrued and other payables; Credit Facility; notes payable; Debentures; Convertible Debentures; and redeemable non-controlling interest	Amortized cost
Contingent consideration. Warrants; and non-controlling interest put options	Fair value

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; trade, accrued and other receivables; deposits and prepaid expenses; and income taxes recoverable, the Company has determined that the carrying amounts approximate fair value.

Warrants

The Warrants are 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 March 31, 2018, the Warrants were valued at $6.8 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 6.0 years. The liquidity discount involves significant management judgement as this is an unobservable input.

Non-controlling interest put options

The liability recognized in connection with the put options has been estimated using the guidance as defined in the agreements. The estimated future payment obligation is then discounted to its present value at each statement of financial position date. The significant unobservable inputs include the puts being exercised between now and six years at a notional aggregate fair value of $18.5 million using a discount rate of 10.0%. An increase in the deemed fair market value or a reduction in the discount rate would increase the put liability.

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 trade receivables 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 come 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 $000s, except as noted)	Mar 31, 2018	Contractual Cash Flow	Less Than 12 Months	1 – 2 Years	2 – 3 Years	Thereafter
Operating loans	**$ 1,924**	$ 2,020	$ 2,020	$ -	$ -	$ -
Trade, accrued and other payables	**38,816**	38,816	38,816	-	-	-
Distributions payable	**1,479**	1,479	1,479	-	-	-
Credit Facility	**21,464**	24,276	867	867	22,542	-
Liabilities associated with assets held for sale	**2,487**	2,487	2,487	-	-	-
Contingent consideration	**1,290**	1,601	171	1,430	-	-
Notes payable	**24,976**	26,025	7,643	8,716	8,443	1,223
Debentures	**47,094**	64,375	2,500	2,500	2,500	56,875
Convertible Debentures	**11,521**	3,676	919	919	919	919
Common share purchase warrants	**6,809**	-	-	-	-	-
Redeemable non-controlling interest	**19,476**	24,482	1,682	1,400	21,400	-
Non-controlling interest put option	**13,280**	18,453	2,030	2,606	5,606	8,211
	$ 190,616	$ 207,690	$ 60,614	$ 18,438	$ 61,410	$ 67,228

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 March 31, 2018 is approximately $0.1 million (2017 - $nil). The Company's notes payable bear a fixed interest rates, hence are not exposed to interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2018, Mosaic has no off-balance sheet arrangements, except as detailed under *"Liquidity – Contractual Obligations"*.

TRANSACTIONS WITH RELATED PARTIES

Rent of $0.3 million for the three months ended March 31, 2018 (Q1 2017 - $0.3 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 March 31, 2018 (2017 - $nil).

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 2017 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, 2017 and 2016 and in the condensed interim consolidated financial statements for three months ended March 31, 2018 and 2017.

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"* and in its annual MD&A for the year ended December 31, 2017 under the heading *"Business Risks and Uncertainties".*

CHANGES IN ACCOUNTING POLICIES

The condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the most recent annual audited consolidated financial statements except as noted below.

Change in Accounting Estimate

Effective January 1, 2018, the Company has changed the amortization of certain intangible assets detailed below:

	Original Useful Lives	Amended Useful Lives	Increased expense, current period	Anticipated increased expense, annual 2018
Customer relationships	4-15 years	4-15 years	$ 744	$ 2,977
Non-compete agreements	5 years	3-6 years	$ 18	$ 70

The change was made to more properly reflect the current estimated economic useful life of the assets. Under IFRS, this change is considered a change in accounting estimate and accounted for prospectively by amortizing the cumulative changes over the remaining useful life of the related assets.

Although the useful lives for customer relationships remained the same, specific assets within the class were amended.

New Accounting Standards

IFRS 2 – Share-based payments

In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based transactions with a net settlement feature for withholding tax obligations and a modification to the terms and conditions of a share-based

payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments became effective for annual periods beginning on or after January 1, 2018 and are to be applied prospectively. The Company has applied this standard and it did not result in significant classification, recognition or measurement differences.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 was issued in November 2009 and replaced 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 has adopted the new standard, and it does not have a material impact on its financial results and financial position.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers except insurance contracts, financial instruments and lease contracts which fall in the scope of other IFRS standards. This standard became effective for annual periods beginning on or after January 1, 2018. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company determines the transaction price of revenue based on an agreed upon selling price with the ultimate customer based on normal commercial transaction methods that are inherent in the respective industry for each Mosaic subsidiary.

Mosaic has assessed that transaction prices are readily assessable as either goods or services are sold to the customer with specific selling prices at the time of delivery or when the contract is signed for the future delivery or a product or service. The timing of revenue recognition of each of these performance obligations (ie: over time for sale of goods and services where the goods and services are under the direct control of the customer and over the period that applies to the post-delivery warranty period as the warranty expires) is identifiable and recorded when the good or service is delivered to the customer. No material financing component is inherent in any contract.

Further, the Company has four subsidiaries that earn revenue from documented contracts with customers. These contracts tend to be for the delivery of a single item or service at a point in the future with specific completion dates and deliverables. As a result, the transaction price is determined in relation to the single contract deliverable and is in a formal contract with the customer. Contracts are assessed for potential separate performance obligations and where these obligations do exist, corresponding obligations and revenue are recognized separately.

Mosaic has assessed that the revenue from contracts should continue to be recognized under the percentage of completion method when:

- The performance of the Company enhances the asset;
- The performance of the Company does not create an asset that is simultaneously consumed by the customer; and
- The Company is creating an asset that has an alternative use than for the customer.

Further, the Company considers that the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

To estimate income (loss) on completion, the Company takes into account factors inherent to the contract by using historical and forecast data. When total contract costs are likely to exceed total contract revenue, the expected loss is recognized within revenue at the point of time when the loss is deemed to be likely.

Mosaic provides assurance that the products sold to customers comply with agreed upon specifications and does not provide customers with the option to purchase warranties separately as a part of normal business practice. Accordingly, the Company will continue to account for warranties in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.

The Company has applied a modified retrospective approach in adopting the standard. As the current method of revenue recognition did not materially change from previous practices, there was deemed to be no difference in previously reported balances and amounts.

The Company measures revenue based on the consideration specified in a contract with a customer for satisfaction of performance obligations. Contract revenue comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. The Company's revenue recognition methodology is determined on a contract-by-contract basis. Revenue is recognized when Mosaic transfers control over a product or service to a customer. For products or services that are transferred at a point in time, revenue is recognized at the time in which the good or service is accepted by the customer, except for the sale of

consignment products located at customers' premises where revenue is recognized on notification that the product has been used. Revenue from cost reimbursable contracts is recognized progressively on the basis of costs incurred during the period plus the estimated fee earned.

When the appropriate criteria for disaggregating revenue into more than one unit of accounting is met, the consideration is allocated to the separate performance obligations or elements based on each unit's relative fair value.

The nature of some of the Company's contracts give rise to unapproved change orders and claims. Contract estimates include additional revenue for unapproved change orders or claims against the customer when it is believed that there is an enforceable right to the unapproved change order or claim, the amount can be reliably estimated, and the criteria for recognizing revenue has been met. In evaluating these criteria, the contractual/legal basis for the claim, the cause for additional costs incurred, and reasonableness of those costs and the objective evidence available to support the claim are all considered. These estimates are also based on historical award evidence.

Contract Costs

Applying the practical expedient in paragraph 94 of IFRS 15, Mosaic recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that the Company otherwise would have recognized is one year or less.

Contract Assets and Liabilities

Contract assets are comprised of the Company's rights to consideration for work completed but not billed at the reporting date and accounts receivable. Contract assets are transferred to receivables when the rights to receipt are unconditional and may be affected by the timing of the monthly billing cycles. Contract liabilities relate to payments received in advance of contractual activities performed under the contract. Contract liabilities are recognized as revenue as or when these contractual activities have been performed.

Future Accounting Standards

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 16 – Leases

IFRS 16 specifies how an IFRS entity 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. Application is required 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 determine 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.

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 principal (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:

For the three months ended March 31, *(in $000s, except as noted)*	**2018**	2017
Net income (loss) and comprehensive income (loss)	**$ 5,891**	$ 1,010
Add (deduct):		
Provision for income taxes	**(1,679)**	(453)
Change in fair value	**(10,225)**	863
Share of joint venture loss (income)	**13**	(184)
Foreign exchange (gain) loss	**(229)**	4
Net financing costs	**2,630**	1,033
Equity-based compensation	**174**	(205)
(Gain) loss on sale of property, plant and equipment	**(3)**	129
Current translation adjustment	**(77)**	-
Amortization:		
Intangible assets	**3,381**	1,531
Property, plant and equipment	**1,907**	1,417
Income producing properties	**-**	49
Acquisition and financing costs	**-**	68
Adjusted EBITDA	**$ 1,783**	$ 5,262
Add (deduct)		
Non-controlling interest's share of Adjusted EBITDA	**(790)**	(1,679)
Net cash interest expense	**(1,209)**	(664)
Mosaic's share of:		
Current income tax expense	**(188)**	(37)
Sustaining capital expenditures	**(487)**	(310)
Free Cash Flow	**$ (891)**	2,572

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 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 twelve-month periods ended March 31, 2018, yields payout ratios of 73% (2017 - 108%). 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, the TTM periods ended March 31, 2018, yields payout ratios of 127% (2017 - 141%). 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;
- Mosaic's belief that its capital resources position will enable it to capitalize on future opportunities as they arise;
- 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;
- Mosaic's ability to fund the interest payable on its senior preferred securities, 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 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 Preferred Securities or Debentures;
- no guarantee of repayment of the principal outstanding under the Mosaic’s Convertible Debentures or Debentures;
- subordination and ranking of Mosaic’s Debentures, Preferred Securities and Convertible Debentures;
- prevailing yields on similar securities; the lack of redemption rights attached to the Preferred Securities;
- the lack of shareholder rights of holders of Mosaic’s Debentures, Preferred Securities and Convertible Debentures;
- the inability of Mosaic to repurchase the 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 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;
- levels of customer concentration;
- 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;
- 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.