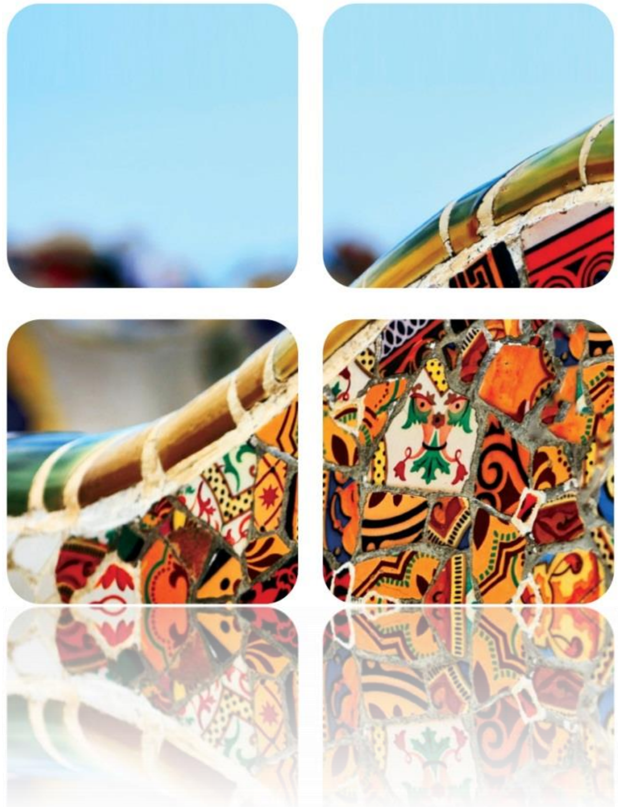
MOSAIC CAPITAL CORPORATION



Management's Discussion and Analysis

For the Year Ended December 31, 2018

"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

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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 year ended December 31, 2018, should be read in conjunction with audited consolidated financial statements for the years ended December 31, 2018 and 2017 and the annual information form ("**AIF**") for the year ended December 31, 2018. The three-month periods ended December 31, 2018 and 2017 are herein referred to as "**Q4**". The financial statements have been prepared in Canadian dollars, in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was prepared effective March 20, 2019.

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. Capitalized terms used herein and not otherwise defined have their meaning ascribed to them in the Company's AIF available under Mosaic's profile on SEDAR at www.sedar.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

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue	**$ 116,623**	$ 88,650	32%	**$ 397,118**	$ 312,141	27%
Adjusted EBITDA [(1)]	**$ 8,872**	$ 5,196	71%	**$ 30,240**	$ 28,028	8%
per share	***$ 0.84***	*$ 0.49*	*71%*	***$ 2.85***	*$ 2.74*	*4%*
as a % of revenue	***7.61%***	*5.86%*		***7.61%***	*8.98%*	
Net income (loss) and comprehensive income (loss)	**$ 3,537**	(9,509)	137%	**$ 17,053**	$ 7,117	140%
Net income (loss) attributable to equity holders	**$ 189**	$ (11,788)	102%	**$ 6,316**	$ (5,208)	221%
per share	***$ 0.02***	*$ (1.12)*	*102%*	***$ 0.60***	*$ (0.51)*	*217%*
Free Cash Flow [(1)]	**$ 3,623**	$ 1,236	193%	**$ 10,579**	$ 11,090	-5%
per share	***$ 0.34***	*$ 0.12*	*183%*	***$ 1.00***	*$ 1.08*	*-8%*
Preferred securities distributions declared [(2)]	**$ 1,512**	$ 1,512	-	**$ 5,999**	$ 7,006	-14%
Common share dividends declared	**$ 1,115**	$ 1,114	-	**$ 4,458**	$ 4,432	1%
per share	***$ 0.105***	*$ 0.105*	-	***$ 0.420***	*$ 0.420*	-
TTM Preferred Distribution Payout Ratio [(1)]				**57%**	63%	-10%
TTM Combined Payout Ratio [(1)]				**99%**	103%	-4%
Weighted avg. common shares outstanding	**10,608,058**	10,571,188	0%	**10,599,111**	10,224,621	4%

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"*. TTM is defined as trailing twelve months.
(2) Includes distributions on preferred securities and private yield securities and dividends on Series A Shares of Mosaic for 2017.

Financial Position

As at December 31, *(in $000s, except as noted)*		2018		2017
Cash and cash equivalents	$	**14,766**	$	9,400
Working capital	$	**68,767**	$	66,352
Total assets	$	**343,554**	$	328,933
Loans and borrowings	$	**121,248**	$	109,811
Liabilities exchangeable with equity	$	**24,198**	$	45,820
Shareholders' equity	$	**74,378**	$	65,770
Non-controlling interests	$	**51,916**	$	57,993
Common share and other securities outstanding:				
Common shares		**10,608,058**		10,573,667
Common share purchase warrants		**17,026,106**		17,026,106
Convertible debentures		**13,124**		13,124
Options and restricted share units		**1,034,923**		675,682

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.

By business segments, the following are Mosaic's portfolio companies:

Infrastructure Business Segment

Ambassador Mechanical L.P. ("**Ambassador**") (75% ownership) is based in Winnipeg, Manitoba and provides mechanical equipment provisioning and installation services in areas ranging from plumbing and gas fitting to heating, ventilation and air conditioning. Ambassador presently focuses almost exclusively on mechanical contracting work for larger commercial and industrial projects in the Manitoba and Saskatchewan markets.

Bassi Construction L.P. ("**Bassi**") (70% ownership) is based in Ottawa, Ontario and is a 50-year-old multi-discipline commercial and industrial renovation/tenant refit and construction company. Bassi operates in five primary areas: commercial tenant fit-ups & restoration, specialty, concrete remediation, fire & flood reclamation and project management.

Cedar Infrastructure Products L.P. ("Cedar") (75% ownership) is based in Vaughan, Ontario and 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 serves a broad group of contractors and municipalities in the Greater Toronto Area and Southwestern Ontario regions.

Place-Crete Systems L.P. ("**Place-Crete**") (75% ownership) is based in St. Albert, Alberta and has additional offices in Calgary, Alberta, Regina, Saskatchewan and Abbotsford, British Columbia. Place-Crete supplies, applies and finishes a variety of cement-based toppings in the residential and commercial construction markets and provides waterproofing solutions to the civil infrastructure market, predominantly within western Canada.

Secon Holdings L.P. ("**SECON**") (69% ownership), together with its subsidiaries, is based in Esterhazy, Saskatchewan and has an additional office in Warman, Saskatchewan. Through its subsidiaries Southeast Construction L.P. ("**SECLP**"), Core Industrial Services L.P. ("**Core**") and Tundra Mechanical & Millwrighting L.P. ("**Tundra**"), SECON provides industrial and commercial construction and maintenance services to the potash mining and milling industry, power generation, coal mining and crushing, fertilizer production and oilseed crushing.

Diversified Business Segment

Circle 5 Tool & Mold LP ("**Circle 5**") (75% ownership) is based in Windsor, Ontario. Circle 5 is a world-class supplier to Tier 1 automotive parts manufacturers and offers custom, high-precision molds and tools for plastic injection production of highly-visible interior automotive components.

Industrial Scaffold Services L.P. ("**Industrial Scaffold**") (85% ownership) is based in Nanaimo, British Columbia and has offices across western Canada. Industrial Scaffold is a provider of worksite surface access scaffolding solutions and environmental containment systems to industrial and commercial customers in the pulp and paper, mining, marine, energy and utilities sectors in western Canada.

Kendall's Supply Ltd. ("**Kendall's Supply**") (89% ownership) is based in Estevan, Saskatchewan and is a supplier of parts and supplies to companies in the automotive, energy, mining, power generation, construction and agriculture industries in southeastern Saskatchewan.

Mackow Industries ("Mackow") (80% ownership) is based in Winnipeg, Manitoba and also has a branch location in Fargo, North Dakota, United States and is a manufacturer of precision fabricated metal components. Mackow's primary market is North American manufacturers of transit buses and highway motor coaches.

Printing Unlimited L.P. ("**Printing Unlimited**") (100% ownership) is based in Fort McMurray, Alberta and prints, among other things, marketing and promotional materials, annual reports, operating manuals and handbooks, safety tags, signs, stationary, carbonless forms and photocopies for customers which include most of the largest oil sands development and production companies. Additionally, Printing Unlimited provides graphic design and typesetting services and operates a sign manufacturing division.

Energy Business Segment

Allied Cathodic Services L.P. ("**Allied Cathodic**") (80% ownership) is based in Estevan, Saskatchewan and installs, maintains and replaces cathodic protection systems for oil and gas production facilities in southeast Saskatchewan and southwest Manitoba. Allied Cathodic's primary services include the design, installation, maintenance and inspection of cathodic protection systems for oilfield well casings and steel flow lines to protect them from the harmful effects of corrosion.

Remote Waste L.P. ("**Remote Waste**") (94.9% ownership) is based in Sexsmith, Alberta and also has a branch location in Boerne, Texas, United States where it operates two water treatment businesses. Remote Waste manufactures and rents wastewater treatment systems for remote work camps which are primarily utilized in the oil and gas industry and provides water treatment services primarily for the oil and gas exploration and development sector.

Real Estate Business Segment

First West Properties L.P. ("**FWPLP**") (100% ownership) is based in Calgary, Alberta. FWPLP currently consists of the business being carried on by itself directly and through its wholly-owned subsidiary First West Land Developments L.P., and through its 50% interest in First West Developments L.P. ("**FWDLP**"). In fiscal 2017, management reclassified assets within this business segment as assets held for sale. It is expected that the remaining assets held for sale will be divested of in fiscal 2019 with the exception of Mosaic's joint venture which may take a longer period of time to monetize.

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 growth in sustainable cash flow. 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 implementing 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 number 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 meet 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 SMEs with capable management teams whom Mosaic works with 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 follow-on 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 December 31, 2018 (December 31, 2017 – 39%). Furthermore, subsidiary company partners, typically retain between 10% and 30% ownership of their respective businesses.

SELECTED ANNUAL INFORMATION

(in $000s, except as noted)	**2018**	2017	2016
Revenue	**$ 397,119**	$ 312,141	$ 197,184
Adjusted EBITDA (1)	**$ 30,240**	$ 28,028	$ 20,477
Net income and comprehensive income	**$ 17,053**	$ 7,117	$ 7,547
Earnings (loss) per share:			
Basic	**$ 0.60**	$ (0.51)	$ (0.90)
Diluted	**$ 0.57**	$ (0.51)	$ (0.90)
Total assets	**$ 343,554**	$ 328,933	$ 275,930
Total non-current liabilities	**$ 132,771**	$ 149,159	$ 30,922
Distributions/dividends per security/share:			
Preferred securities	**$ 0.60**	$ 0.56	$ 1.00
Common shares	**$ 0.42**	$ 0.42	$ 0.40
Weighted average common shares outstanding	**10,599,111**	10,224,621	8,345,567
Common shares outstanding	**10,608,058**	10,573,667	8,603,850

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

The financial impact of the acquisitions of Mackow in August 2016 and Bassi in December 2016 were largely offset by the commodity driven downturn in western Canada which resulted in an overall softer financial performance in fiscal 2016. The Company's fiscal 2017 results were augmented by the full year impact from the prior year acquisitions and the marginal recovery of the commodity driven downturn in western Canada which was also supplemented with the acquisitions of Cedar in May 2017 and Circle 5 in November 2017. The increase to non-current liabilities was largely the result of Mosaic's capital structure realignment in January 2017 with Fairfax Financial Holdings Limited (through certain of its subsidiaries) and long-term debt incurred to fund the fiscal 2017 acquisitions. The Company's fiscal 2018 results were augmented by the full year input from prior year acquisitions.

FOURTH QUARTER ACHIEVEMENTS

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

- Increased revenue by 32% over the same period in 2017 to a record fourth quarter level of $116.6 million. This achievement was driven by improved operating conditions and market share gains for certain portfolio companies in the Infrastructure segment, growth at Mackow's new facility in North Dakota and the acquisition of Circle 5 that occurred late in 2017;

- increased Adjusted EBITDA by 71% over the prior year period to a record fourth quarter level of $8.9 million. This gain was supported by revenue growth and improved profitability levels in a majority of the underlying portfolio companies and the acquisition of Circle 5:

- provided dividends of $1.1 million to shareholders;

- divested a property that was classified as held for sale within the Real Estate segment for net proceeds of $3.6 million; and

- divested one of the properties categorized in assets held for sale with a carrying value of $3.6 million for net proceeds of $3.6 million. The proceeds were used to repay a portion of the Credit Facility (defined herein).

FISCAL 2018 ACHIEVEMENTS

For the year ended December 31, 2018, Mosaic:

- increased revenue by 27% over fiscal 2017, supported by the improved operating conditions and market share gains, positive traction from the expansion into the U.S. market with Mackow, and the acquisition of new portfolio companies;

- increased Adjusted EBITDA by 8% over the prior year related to the increases in revenue activities mentioned above offset by changes in product mix, some project delays and margin weakness for some portfolio companies in the first half of the year;

- provided dividends of $4.5 million to shareholders;

- generated Free Cash Flow of $10.6 million;

- delivered a Combined Payout Ratio of 99%, which represents an improvement of 4% over fiscal 2017;

- maintained a healthy balance sheet with $14.8 million in cash, $68.8 million in working capital and Total Debt (defined herein) to Gross EBITDA leverage of 1.58; and

- subsequent to year-end, divested a second property that was classified as held for sale for net proceeds of $2.7 million.

OUTLOOK

Mosaic's fourth quarter 2018 results represent record achievements in fourth quarter revenue and Adjusted EBITDA generation and were supported by solid year over year gains in all business segments. In combination with the record third quarter 2018 results for the Company, these achievements illustrate the successful efforts by Mosaic and its subsidiary operating partners to drive improvement in a number of underlying portfolio companies after experiencing a difficult first half of 2018.

Underpinned by these strong fourth quarter results, Mosaic achieved several milestones in fiscal 2018, including the delivery of record annual Adjusted EBITDA and the delivery of a Combined Payout Ratio below 100%. Additionally, the successful divestment of certain assets held for sale within the Real Estate Segment has served to reduce outstanding net debt and, importantly, free up management time to pursue incremental growth initiatives.

As we progress through the first quarter of 2019, we look forward to demonstrating continued year-over-year gains in financial performance which should position the Company to deliver further improvement in our payout ratio and overall leverage metrics. With this positive outlook, we remain committed to the current dividend policy.

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 operational and strategic focus by actively engaging with its portfolio companies to build long-term value.

Mosaic's pipeline of high quality, Canada-wide 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 December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue	**$ 116,623**	$ 88,650	32%	**$ 397,119**	$ 312,141	27%
Operating expenses	**107,751**	83,573	29%	**366,879**	284,897	29%
Adjustments to EBITDA	**-**	(119)	-100%	**-**	(784)	-100%
Adjusted EBITDA [(1)]	**$ 8,872**	$ 5,196	71%	**$ 30,240**	$ 28,028	8%
as a % of revenue	***7.61%***	*5.86%*		***7.61%***	*8.98%*	

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

Revenue for Q4 2018 increased 32% or $28.0 million to $116.6 million as compared to Q4 2017, driven by increased activity levels for specific portfolio companies within the Infrastructure business segment and the addition of revenue from an acquisition made in late 2017. In addition, Adjusted EBITDA increased 71% or $3.7 million to $8.9 million as compared to Q4 2017. The increase was predominantly driven by increased activity levels, planned growth initiatives and improved project management controls in specific portfolio companies. The Adjusted EBITDA margin increased 175-basis points in Q4 2018 as compared to the prior year period for the reasons noted above.

For fiscal 2018, revenue increased 27% or $85.0 million to $397.1 million as compared to fiscal 2017, largely driven by increases achieved in the Infrastructure business segment and the additional revenue related to two acquisitions made in 2017. Adjusted EBITDA increased 8% or $2.2 million to $30.2 million as compared to 2017. This increase is mostly related to the increased activity levels within the Infrastructure business segment, the contribution from the acquisition made in late 2017 and a reduction in corporate costs offset by specific portfolio companies and project delays and margin weakness for specific portfolio companies in the first half of the year. The Adjusted EBITDA margin declined 137-basis points for fiscal 2018 as compared to the prior year for the reasons noted above.

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

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue:						
Infrastructure	**$ 83,284**	$ 58,013	44%	**$ 276,920**	$ 205,255	35%
Diversified	**27,627**	26,475	4%	**104,947**	92,434	14%
Energy	**5,601**	4,103	37%	**14,855**	13,979	6%
Real Estate	**111**	59	88%	**397**	473	-16%
Corporate	**-**	-		**-**	-	
Total revenue	**116,623**	88,650	32%	**397,119**	312,141	27%
Adjusted EBITDA [(1)]						
Infrastructure	**5,108**	4,043	26%	**19,244**	18,296	5%
Diversified	**3,860**	2,137	81%	**14,820**	14,229	4%
Energy	**1,222**	120	918%	**1,884**	2,164	-13%
Real Estate	**(48)**	(55)	13%	**(172)**	(299)	42%
Corporate	**(1,270)**	(1,049)	-21%	**(5,536)**	(6,362)	13%
Total adjusted EBITDA	**$ 8,872**	$ 5,196	71%	**$ 30,240**	$ 28,028	8%
as a % of revenue	***7.61%***	*5.86%*		***7.61%***	*8.98%*	

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:

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue	**$ 83,284**	$ 58,013	44%	**$ 276,920**	$ 205,255	35%
Operating expenses	**78,176**	53,970	45%	**257,676**	186,959	38%
Adjusted EBITDA (1)	**$ 5,108**	$ 4,043	26%	**$ 19,244**	$ 18,296	5%
as a % of revenue	***6.13%***	*6.97%*		***6.95%***	*8.91%*	

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

Revenue for the fourth quarter of 2018 increased 44% or $25.3 million over Q4 2017. This was primarily due to improved activity levels at Bassi, Place-Crete and SECON. The overall increase was partially offset by a decline in contracting activity at Ambassador. For Q4 2018, Adjusted EBITDA increased 26% or $1.1 million over Q4 2017 resulting from improved activity levels mentioned above offset by competitive pressures on margins at Ambassador. On a margin basis, this was a decrease of 84-basis points.

For fiscal 2018, revenue increased 35% or $71.7 million over the prior year. This was primarily due to improved activity levels at Bassi, SECON and Place-Crete and the inclusion of revenue from Cedar which was acquired effective May 1, 2017. The overall increase was partially offset by a decline in contracting activity and pricing at Ambassador. Adjusted EBITDA increased 5% or $0.9 million over the prior year. On a margin basis, adjusted EBITDA margin declined 196-basis points year-over-year due to increased competition pressuring volume and margins in Ambassador's operating region and a lower-margined product mix within Bassi's operations.

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:

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue	**$ 27,627**	$ 26,475	4%	**$ 104,947**	$ 92,434	14%
Operating expenses	**23,767**	24,338	-2%	**90,127**	78,205	15%
Adjusted EBITDA (1)	**$ 3,860**	$ 2,137	81%	**$ 14,820**	$ 14,229	4%
as a % of revenue	***13.97%***	*8.07%*		***14.12%***	*15.39%*	

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

Revenue for Q4 2018 increased 4% or $1.2 million over Q4 2017 due to the inclusion of the operations of Circle 5 acquired effective November 1, 2017 and increased activity at Mackow from the expansion in the U.S. market offset by customer-related project deferrals for Industrial Scaffold. Adjusted EBITDA for the current quarter increased 81% or $1.7 million over Q4 2017. On a margin basis, Adjusted EBITDA strengthened by 590-basis points quarter-over-quarter. This was due to the inclusion of Circle 5 mentioned above and improved operating efficiencies and expansion into the U.S. market expansion for Mackow.

For fiscal 2018, revenue increased 14% or $12.5 million over the comparable prior year primarily due to the inclusion of the operations of Circle 5 acquired effective November 1, 2017 and the expansion into the U.S. market for Mackow. Adjusted EBITDA for 2018 increased 4% or $0.6 million over the comparable 2017 period. On a margin basis, Adjusted EBITDA weakened by 127-basis points year-over-year as a result of Mackow experiencing changes in product mix in the first half of 2018.

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:

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue	**$ 5,601**	$ 4,103	37%	**$ 14,855**	$ 13,979	6%
Operating expenses	**4,379**	3,983	10%	**12,971**	11,815	10%
Adjusted EBITDA (1)	**$ 1,222**	$ 120	918%	**$ 1,884**	$ 2,164	-13%
as a % of revenue	***21.82%***	*2.92%*		***12.68%***	*15.48%*	

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

The Q4 2018 revenue increase of 37% or $1.5 million was the result of market penetration in the U.S. market for Remote and capturing market share within the Canadian energy industry for Allied. Adjusted EBITDA increased 918% or $1.1 million over Q4 2017, due to the increase in revenue activities. Adjusted EBITDA margins strengthened 1,890-basis points for reasons noted above.

For fiscal 2018, revenue increase of 6% or $0.9 million resulting from the U.S. market penetration for Remote as mentioned above. Adjusted EBITDA declined 13% or $0.3 million over fiscal 2017, as Remote incurred more fixed costs associated with securing the expansion into the U.S. market and both companies within this segment experienced pricing pressure within the highly competitive industry environment. Adjusted EBITDA margins weakened 280-basis points as described above.

Real Estate Business Segment

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

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Revenue	**$ 111**	$ 59	88%	**$ 397**	$ 473	-16%
Operating expenses	**159**	114	39%	**569**	772	-26%
Adjusted EBITDA (1)	**$ (48)**	$ (55)	13%	**$ (172)**	$ (299)	42%
as a % of revenue	***-43.24%***	*-93.22%*		***-43.32%***	*-63.21%*	

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

This segment contains assets that have been reclassified as assets held for sale with an aggregate net book value of $3.7 million and an investment in a joint venture with a carrying value of $2.2 million as at December 31, 2018. In Q4 2018, Mosaic divested of one property with a carrying value of $3.7 million for proceeds of $3.6 million. Subsequent to December 31, 2018, the Company divested another property. Refer to *"Subsequent Event"*. The improvement in Adjusted EBITDA for both the three and twelve months ended December 31, 2018, was primarily due to lower operating expenses.

Corporate

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Operating expenses	**$ 1,270**	$ 1,168	9%	**$ 5,536**	$ 7,146	-23%
External acquisition costs	**-**	(119)	-100%	**-**	(784)	-100%
Adjusted EBITDA (1)	**$ (1,270)**	$ (1,049)	-21%	**$ (5,536)**	$ (6,362)	13%

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, Diversified, Energy and Real Estate business 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 in 2018, was primarily due to Mosaic internalizing certain activities and 2017 included costs associated with acquisitional financing activities completed during 2017.

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 December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Amortization expense:						
Income producing properties	**$ -**	$ 49	-100%	**$ -**	$ 195	-100%
Property, plant and equipment	**2,135**	2,069	3%	**8,010**	7,002	14%
Intangible assets	**3,595**	4,597	-22%	**14,284**	9,428	52%
Total amortization expense	**$ 5,730**	$ 6,715	-15%	**$ 22,294**	$ 16,625	34%

The increase in amortization expense of property, plant and equipment and intangible assets (which include 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.

Loss on Disposal of Equipment

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Loss on disposal of equipment	**$ 1,749**	$ 30	5,730%	**$ 1,704**	$ 94	1,713%

During fiscal 2018, Mosaic disposed of $3.0 million in net book value of equipment for proceeds of $0.9 million resulting in a loss on disposal of $1.7 million.

Equity-based Compensation

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Equity-based compensation	**$ 210**	$ 353	-41%	**$ 767**	$ 391	96%

Equity-based compensation of $0.2 million for Q4 2018 (2017 - $0.4 million) and $0.8 million for fiscal 2018 (2017 - $0.4 million) relate to the Company's share option plan and restricted share unit plan, whereby the Company recognized the pro rata share, over the vesting term, for the fair value of options and restricted share units granted to management and directors. Equity-based compensation is a non-cash expense.

Impairment Loss

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Impairment loss	**$ -**	$ 3,798	-100%	**$ 828**	$ 3,798	-78%

The 2018 impairment loss of $0.8 million (2017 - $3.8 million) relates to updated valuations performed on assets classified as held for sale at December 31, 2017.

Net Financing Costs

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Interest:						
Expense	**$ 1,898**	$ 1,646	15%	**$ 7,597**	$ 5,073	50%
Income on cash and cash equivalents	**(30)**	(101)	-70%	**(192)**	(178)	8%
Accretion expense	**669**	1,855	-64%	**2,665**	2,902	-8%
Amortization of debt issue costs	**145**	99	46%	**584**	306	91%
Net finance costs	**$ 2,682**	$ 3,499	-23%	**$ 10,654**	$ 8,103	31%
as a % of average debt outstanding	***7.23%***	*11.37%*		***10.00%***	*12.24%*	

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 5.12% for Q4 2018 (Q4 2017 - 5.35%) and 5.35% for 2018 (2017 - 5.75%) which is consistent with Mosaic's overall debt facilities.

Share of Joint Venture Income

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Share of joint venture income	**$ 68**	$ 377	-82%	**$ 227**	$ 717	-68%

The joint venture is between FWPLP and Harbour Equity Capital Corp. which is developing an industrial park near Regina, Saskatchewan. In Q4 2018, Mosaic realized income of $68,000 (Q4 2017 - $0.4 million) and for the fiscal 2018 $0.2 million (2017 - $0.7 million). As of December 31, 2018, 52% of the project has been sold.

Other income

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Other income	**$ 17**	$ 1,665	-99%	**$ 1,146**	$ 1,593	-28%

Other income for the quarters and years ended December 31, 2018 and 2017 relates to revaluation of the contingent consideration.

Change in Fair Value

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Common share purchase warrants	**$ 205**	$ (4,335)	105%	**$ 14,875**	$ 4,763	212%
NCI put option redemption	**-**	-	-	**1,242**	-	NA
Revaluation of NCI put option	**2,945**	-	NA	**2,945**	-	NA
Risk management contracts	**(754)**	-	NA	**(754)**	-	NA
Change in fair value	**$ 2,396**	$ (4,335)	155%	**$ 18,308**	$ 4,763	284%

The common share purchase warrants ("**Warrants**") are treated as derivative liability and are measured at fair value at the end of each reporting period. The non-cash change of $0.2 million in Q4 2018 (2017 - $4.3 million) and $14.9 million for fiscal (2017 - $4.8 million), was driven by the change in the Company's common share market price since December 31, 2017, which changes the derivative liability's fair value with the offset being an charge to income.

A gain of $1.2 million, for fiscal 2018 (2017 – $nil), was recognized upon the redemption of a NCI put option. Refer to *"Loans and Borrowings Non-Controlling Interest Put Options"* for additional details.

A gain of $2.9 million, for fiscal 2018 (2017 - $nil) was recognized upon the revaluation of a NCI put option. Refer to *"Loans and Borrowings Non-Controlling Interest Put Options"* for additional details.

A loss of $0.8 million for fiscal 2018 was recognized with respect to foreign exchange forward contracts.

Provision for Income Tax

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Income (loss) before income taxes	**$ 1,315**	$ (11,451)	111%	**$ 14,002**	$ 5,175	171%
Provision for income taxes	**$ (1,926)**	$ (2,220)	13%	**$ (2,487)**	$ (2,220)	-12%
effective income tax rate	***-146.5%***	*19.4%*		***-17.8%***	*-42.9%*	

Included in Q4 2018 was a current tax provision of $0.1 million (2017 - $0.5 million) offset by a deferred tax reduction of $2.1 million (2017 - $2.7 million). For fiscal 2018, the Company recognized a current tax provision of $0.8 million (2017 - $1.8 million) offset by a deferred tax reduction of $3.3 million (2017 - $4.1 million). The variance from the expected tax provision was predominately the result of the change in fair value of the Warrants, contingent consideration payable, and distributions made to preferred security holders having different attributes for tax purposes than accounting under IFRS.

At December 31, 2018, Mosaic has accumulated non-capital losses for income tax purposes of $46.9 million (December 31, 2017 - $38.5 million) which expire between 2031 and 2038 and $1.3 million (December 31, 2017 - $0.8 million) of net capital loss carry forwards available to reduce future years' taxable capital gains.

Net Income (Loss) and Comprehensive Income (Loss)

	Three months ended December 31,			Year ended December 31,		
(in $000s, except as noted)	**2018**	2017	% Change	**2018**	2017	% Change
Net income (loss) and comprehensive income (loss) attributable to:						
Equity holders	**$ 189**	$ (11,788)	102%	**$ 6,316**	$ (5,208)	221%
Preferred dividends/distributions	**1,512**	1,513	-	**5,999**	7,006	-14%
Non-controlling interests	**1,836**	766	140%	**4,738**	5,319	-11%
Net income (loss) and comprehensive income (loss)	**$ 3,537**	$ (9,509)	137%	**$ 17,053**	$ 7,117	140%
Earnings per share: (1)						
Basic	**$ 0.02**	$ (1.12)	102%	**$ 0.60**	$ (0.51)	218%
Diluted	**$ 0.02**	$ (1.12)	102%	**$ 0.57**	$ (0.51)	212%

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 Q4 2018, Mosaic recognized net income and comprehensive income of $3.5 million compared to a loss of $9.5 million in Q4 2017. Mosaic allocated income of $1.8 million (2017 - $0.8 million) to non-controlling interests. For fiscal 2018, Mosaic recognized a net income and comprehensive income of $17.1 million compared to $7.1 million for the comparable prior year period. Mosaic allocated income of $4.7 million (2017 - $5.3 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 Q4 2018, basic and diluted earnings per share were $0.02 (Q4 2017 – basic and diluted loss per share $1.12). Fiscal 2018 basic earnings per share was $0.60 (2017 – $0.51 loss per share) and diluted earnings per share was $0.57 (2017 - $0.51 loss per share).

Subsequent Event

Subsequent to December 31, 2018, Mosaic sold one of the properties listed as held for sale. The property had a carrying value of $2.7 million and Mosaic realized net proceeds of $2.7 million. A portion of the net proceeds was used to retire $2.0 million of liabilities associated with assets held for sale.

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as noted)	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Revenue	$ 116,623	$ 121,407	$ 91,089	$ 68,000
Adjusted EBITDA	$ 8,872	$ 13,444	$ 6,141	$ 1,783
Net income (loss)	$ 3,537	$ 8,154	$ (529)	$ 5,891
Net income (loss) attributable to equity holders	$ 189	$ 2,430	$ (3,015)	$ 6,712
Earnings (loss) / common share(1)				
Basic	$ 0.02	$ 0.23	$ (0.28)	$ 0.63
Diluted	$ 0.02	$ 0.21	$ (0.28)	$ 0.56

(in $000s, except as noted)	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Revenue	$ 88,650	$ 95,656	$ 69,726	$ 58,109
Adjusted EBITDA	$ 5,196	$ 12,220	$ 5,350	$ 5,262
Net income (loss)	$ (9,509)	$ 8,013	$ 7,603	$ 1,010
Net income (loss) attributable to equity holders	$ (11,789)	$ 3,987	$ 5,019	$ (2,425)
Earnings (loss) / common share(1)				
Basic	$ (1.12)	$ 0.38	$ 0.48	$ (0.26)
Diluted	$ (1.12)	$ 0.34	$ 0.40	$ (0.26)

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 Cedar (May 2017) and Circle 5 (November 2017) have impacted the quarterly results following their acquisition date.
In the third quarter of 2018, Mosaic recognized an impairment charge of $0.8 million (third quarter 2017 - $nil) and in the fourth quarter of 2018 realized a loss on disposal of $1.7 million (fourth quarter of 2017 - $3.8 million impairment charge) which adversely impacts the net income and earnings per common share in the respective reporting period.

The impact on net income caused by the fair value adjustments of the Warrants is:

(in $000s, except as noted)	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Increase to net income	$ (205)	$ (4,147)	$ (1,540)	$ (8,983)

(in $000s, except as noted)	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017
Decrease (increase) to net income	$ 4,336	$ (3,158)	$ (6,805)	$ 863

LIQUIDITY

For the year ended December 31, *(in $000s, except as noted)*	**2018**	2017
Net cash provided by (used in):		
Operating activities	**$ 16,526**	$ 7,865
Investing activities	**(961)**	(45,750)
Financing activities	**(10,273)**	22,347
Effect of foreign exchange on cash	**74**	-
Net increase (decrease) in cash	**$ 5,366**	$ (15,538)

Operating Activities

In 2018, the Company generated $16.5 million in cash from operating activities (2017 - $7.3 million). Cash generated from operating activities before non-cash working capital items was $22.3 million (2017 - $20.4 million).

Mosaic's subsidiaries have an aggregate of $37.1 million in available operating facilities of which $0.8 million has been drawn as of December 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 December 31, 2018, $27.4 million was drawn on the facility.

As at December 31, 2018, Mosaic had working capital of $68.8 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 $1.0 million in 2018. Net cash used included:

- The gross investment of $6.6 million in capital expenditures or $4.5 million, net of financing and disposal proceeds as detailed below;
- the receipt of $0.4 million in distributions from the Company's real estate joint venture;
- the receipt of $3.6 million in proceeds on assets classified as held for sale; and
- payment of $0.5 million in contingent consideration for the prior acquisitions of Mackow and Cedar.

Capital Expenditures

For the year ended December 31, 2018, Mosaic invested $6.6 million gross and $4.5 million net of financing and disposal proceeds, 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	$ 1,171	$ 1,614	**$ 2,785**
Diversified	1,866	798	**2,664**
Energy	523	395	**918**
Real estate	-	39	**39**
Corporate	-	-	**-**
	$ 3,560	$ 2,846	**6,406**
Capital expenditures, financed			**(1,210)**
Capital expenditures, net of financing			**5,196**
Proceeds on disposal of equipment			**(689)**
Capital expenditures, net of financing and proceeds on disposal			**$ 4,507**

Growth expenditures within the Infrastructure segment include costs to expand SECON's operating capacity. Growth expenditures within the Diversified segment include costs to expand Industrial Scaffolding's operating capacity and Mackow's expansion into the U.S. market. Growth expenditures within the Energy segment relate to the expansion of Remote into the U.S market.

Financing Activities

Net cash used in financing activities was $10.2 million for year ended December 31, 2018. Net cash used included:

- a draw of $0.8 million on operating facilities;
- the net draw of $8.0 million on the Credit Facility;
- the net payment of $3.9 million in notes payable;
- the net payment of $0.4 million related to equity-based compensation;
- $4.5 million in dividends paid to the common share holders (see below);
- $6.0 million in distributions paid to the Preferred Securities holders (see below); and
- the payment of $4.4 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 2018, net income of $4.7 million (2017 - $5.3 million) was allocated to non-controlling interests and distributions of $4.4 million (2017 - $5.4 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 fiscal 2018 and 2017 are set forth below.

(in $000s, except as noted)	**2018**	2017
March	**$ 1,479**	$ 2,486[1]
June	**1,496**	1,496
September	**1,512**	1,512
December	**1,512**	1,512
	$ 5,999	$ 7,006

Note:
(1) The payment for March 2017 includes $1.1 million distribution on legacy 10% Preferred Securities and $0.3 million distribution on Private Yield Securities, all of which were redeemed in Q1 2017.

Common Share Dividends

Information regarding dividends declared and paid to holders of common shares for fiscal 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**	**372**	0.105	1,093
April	**0.035**	**371**	0.035	368
May	**0.035**	**371**	0.035	371
June	**0.035**	**372**	0.035	372
July	**0.035**	**372**	0.035	372
August	**0.035**	**372**	0.035	372
September	**0.035**	**371**	0.035	371
October	**0.035**	**371**	0.035	371
November	**0.035**	**372**	0.035	371
December	**0.035**	**372**	0.035	371
	$ 0.420	**$ 4,458**	$ 0.420	$ 4,432

Mosaic currently intends 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 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

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

(in $000s, except as noted)	**Mar 31, 2018**	**Jun 30, 2018**	**Sep 30, 2018**	**Dec 31, 2018**	**TTM 2018**
Free Cash Flow[1]	**$ (891)**	**$ 796**	**$ 7,051**	**$ 3,623**	**$ 10,579**
Preferred security distributions	**$ 1,479**	**$ 1,496**	**$ 1,512**	**$ 1,512**	$ **5,999**
Common share dividends	**1,113**	**1,115**	**1,115**	**1,115**	**4,458**
Total equity based distributions	**$ 2,592**	**$ 2,611**	**$ 2,627**	**$ 2,627**	**$ 10,457**
Payout Ratios:					
Preferred Distribution[1]					**57%**
Combined Distribution[1]					**99%**

(in $000s, except as noted)	Mar 30, 2017	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	TTM 2017
Free Cash Flow[1]	$ 2,308	$ 1,559	$ 5,987	$ 1,236	$ 11,090
Preferred security distributions	$ 2,485	$ 1,496	$ 1,512	$ 1,512	$ 7,006
Common share dividends	1,093	1,111	1,115	1,114	4,432
Total equity based distributions	$ 3,578	$ 2,607	$ 2,627	$ 2,626	$ 11,438
Payout Ratios:					
Preferred Distribution[1]					63%
Combined Distribution[1]					103%

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

Contractual Obligations

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

(in $000s, except as noted)	Amount
2019	$ 3,426
2020	2,795
2021	2,377
2022	1,605
2023	668
Thereafter	1,890
	$ 12,792

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 December 31, 2018, Mosaic had cash and cash equivalents of $14.8 million, working capital of $68.8 million and $43.9 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	
(in $000s, except as noted)	Facility Type	Availability	Restrictions	Security	**Dec 31, 2018**	Dec 31, 2017
Infrastructure						
Ambassador	Revolving demand	$ 3,000	AR & INV	AA	**$ -**	$ -
Bassi	Revolving demand	2,000	75% of AR	GSA & AA	**-**	-
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	**798**	-
SECON	5-year term	4,000	CAPEX	GSA & AA	**-**	-
		21,600			**798**	-
Diversified						
Circle 5	Revolving demand	5,000	AR & INV	GSA	**-**	-
Mackow	Revolving demand	3,000	AR & INV	GSA	**-**	-
Industrial Scaffold	Revolving term	7,500	75% AR	GSA & AA	**-**	-
		15,500			**-**	-
Total		**$ 37,100**			**$ 798**	**$ -**

Notes:

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

Credit Facility

On June 29, 2018, Mosaic renewed a $50.0 million revolving three-year credit facility agreement with a Canadian financial institution (the "**Credit Facility**") bearing interest at rates ranging from prime plus 0.50% - 1.50%. $15.0 million of the Credit Facility's availability is subject to completion of future acquisitions.

The Credit Facility is secured by general security agreements granted by Mosaic and certain of its subsidiaries together with an assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries. As at December 31, 2018, $27.4 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	
(in $000s, except as noted)	Facility Type	Term	Rate	Security	**Dec 31, 2018**	Dec 31, 2017
Infrastructure						
Bassi	VTB note	Nov 2019	5.5%	Bassi GSA & MG	**$ 3,000**	$ 3,000
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	**4,333**	4,333
Place-Crete	Promissory note	Jan 2020	5.0%	Place-Crete GSA	**215**	335
SECON	Term loan	Apr 2022	3.2%	Mortgage	**667**	705
					8,215	8,373
Diversified						
Printing Unlimited	Term loan	Oct 2020	P+0.75%	Mortgage	**564**	574
Mackow	VTB loan	July 2019	5.0%	Mackow GSA	**1,766**	4,059
Industrial Scaffold	Promissory note	Jan 2021	5%	NA	**6,221**	-
					8,551	4,633
Real Estate						
FWPLP	Term loan	20 years	P+1.0%	Mortgage	**408**	425
FWPLP	Demand loan	20 years	P+1.0%	Mortgage	**1,984**	2,096
					2,392	2,521
All segments	Equipment & leasehold	< 5 years	< P+0.5%	GSA & FC	**2,498**	1,200
All segments	Finance leases	< 5 years	< 9.6%	FC	**4,662**	6,061
All segments	Unamortized discount				**(486)**	(475)
Liabilities associated with assets held for sale					**(2,392)**	(2,521)
Total notes payable					**23,440**	19,792
Current portion					**(9,308)**	(4,634)
Non-current portion					**$ 14,132**	**$ 15,158**

Notes:
"**VTB**" – vendor-take-back
"**GSA**" – general security agreement
"**MG**" – Mosaic guarantee
"**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. The Debenture bears interest at 5%, payable quarterly, 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 Credit Facility.

The following summarizes the Debentures carrying value:

As at *(in $000s, except as noted)*	**Dec 31, 2018**	Dec 31, 2017
Principal amount	**$ 50,000**	$ 50,000
Unamortized discount	**(2,475)**	(2,879)
Unamortized transaction costs	**(101)**	(120)
	$ 47,424	$ 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. 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 $000s, except as noted)*	**Dec 31, 2018**	Dec 31, 2017
Debt component		
Principal amount	**$ 13,124**	$ 13,124
Less:		
Unamortized transaction costs	**(854)**	(1,169)
Equity component	**(944)**	(944)
Accumulated accretion expense	**631**	373
	$ 11,957	$ 11,384
Equity component		
Amount allocated to equity	**$ 944**	$ 944
Less:		
Allocated deferred financing fees and deferred taxes	**(106)**	(128)
	$ 838	$ 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 December 31, 2018, Mosaic had 17.0 million Warrants with a carrying value of $0.9 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, a limited partnership controlled by Mosaic issued $20.0 million of subordinated partnership units ("**Redeemable NCI**"). The Redeemable NCI matures on January 1, 2021 and has a preferential distribution of 7.0% which is treated as interest expense under IFRS. Mosaic incurred $0.6 million in transaction costs.

As at *(in $000s, except as noted)*		**Dec 31, 2018**		Dec 31, 2017
Principal amount	**$**	**20,000**	$	20,000
Unamortized transaction costs		**(385)**		(570)
	$	**19,615**	$	19,430

Non-Controlling Interest Put Options

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 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 $11.3 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 $8.6 million to $74.4 million at December 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 year offset by Preferred Securities distributions and common share dividends. Refer to *"Capital Resources – Loans and Borrowings – Non-Controlling Interest Put Options"* and *"Liquidity Distributions and Dividends"*.

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 March 20, 2019, 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	724,462		N/A
Restricted security units	310,461		N/A
Warrants	17,026,106		N/A

Note:

(1) As at December 31, 2018, 300,913 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 $51.9 million at December 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 Options"* 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 December 31, 2018.

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

(in $000s, except as noted)	Requirement	Calculated	Compliant
Total Debt to Gross EBITDA	< 3.00	1.58	Yes
Net Funded Debt to EBITDA	< 3.00	1.69	Yes
Debt Service Coverage Ratio	> 1.50	1.88	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 $000s, except as noted)	**Dec 31, 2018**
Debt:	
Operating loans	**$ 798**
Credit facility	**27,402**
Notes payable (secured)	**19,875**
Total Debt	**48,075**
Less Mosaic's share of cash	**(11,434)**
Net Funded Debt	**$ 36,641**
TTM EBITDA:	
Gross	**$ 30,466**
Mosaic share	**$ 21,735**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.00)	**1.58**
Net Funded Debt to Mosaic EBITDA (less than 3.00)	**1.69**

Debt Service Coverage Ratio

(in $000s, except as noted)		Dec 31, 2018
TTM Cash Flow		
EBITDA Mosaic Share	$	21,735
Less:		
Mosaic's portion of unfunded sustaining capital expenditures		(2,203)
Mosaic's portion of cash taxes		(841)
Total TTM Cash Flow	$	18,691
TTM Fixed Charges		
Interest expense	$	7,405
Repayment of notes payable (secured)		2,541
Total TTM Debt Service	$	9,946
Financial covenant:		
Debt Service Coverage Ratio (greater than 1.50)		1.88

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, 2018.

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 was in compliance with this covenant as at December 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
Operating loans; trade, accrued and other payables; distributions payable; income taxes payable; 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 and deposits and prepaid expenses, the Company has determined that the carrying amounts approximate fair value.

Financial Liabilities

Due to the short-term nature of operating loans; trade, accrued and other payables; distributions payable and income taxes payable, 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 December 31, 2018, the Warrants were valued at $0.9 million 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 5.00 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 five years at a notional aggregate fair value of $11.3 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.

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. Mosaic's trade receivables are due from a wide range of customers 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. The table below summarizes the future undiscounted contractual cash flow requirements as at December 31, 2018 for the financial liabilities:

(in $000s, except as noted)	**Dec 31, 2018**	Contractual Cash Flow	Less Than 12 Months	1 – 2 Years	2 – 3 Years	Thereafter
Operating loans	**$ 798**	$ 838	$ 838	$ -	$ -	$ -
Trade, accrued and other payables	**62,811**	62,811	62,811	-	-	-
Distributions payable	**1,512**	1,512	1,512	-	-	-
Risk management contracts	**754**	16,335	16,335	-	-	-
Credit Facility	**27,402**	30,905	1,104	1,104	28,697	-
Liabilities associated with assets held for sale	**2,392**	2,625	2,625	-	-	-
Contingent consideration	**177**	207	207	-	-	-
Notes payable	**23,440**	24,624	10,065	9,216	3,754	1,589
Debentures	**47,424**	62,687	2,500	2,500	2,500	55,187
Convertible Debentures	**11,957**	2,527	919	921	687	-
Common share purchase warrants	**917**	-	-	-	-	-
Redeemable non-controlling interest	**19,615**	23,150	1,400	1,400	20,350	-
Non-controlling interest put option	**11,324**	14,363	2,030	4,583	4,583	3,167
	$ 210,523	$ 242,584	$ 102,346	$ 19,724	$ 60,571	$ 59,943

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 price risk and other price risk. The Company does not currently have any significant direct exposure to commodity price risk or other price risk. The Company manages currency risk by using foreign exchange forward contracts to manage the exposure of future denominated receipts and expenses using foreign exchange forward contracts and cross-currency swaps. 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 December 31, 2018 is approximately $0.8 million (2017 - $0.6 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 December 31, 2018, Mosaic has no off-balance sheet arrangements, except as detailed under *"Liquidity – Contractual Obligations"*.

SUBSEQUENT EVENT

Subsequent to December 31, 2018, Mosaic sold one of the properties listed as held for sale. The property had a carrying value of $2.7 million and Mosaic realized net proceeds of $2.7 million. A portion of the net proceeds was used to retire $2.0 million of liabilities associated with assets held for sale.

TRANSACTIONS WITH RELATED PARTIES

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

Mosaic has defined key management personnel as senior executive offices and all members of the board of directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel compensation is comprised of the following:

For the year ended *(in $000s, except as noted)*	**Dec 31, 2018**	Dec 31, 2017
Salary and other benefits	**$ 1,735**	$ 2,389
Equity-based compensation	**631**	484
	$ 2,366	$ 2,873

Rent of $0.5 million and $1.7 million for the three and twelve months ended December 31, 2018 (2017 - $0.3 million and $1.2 million), respectively, 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.

There were no amounts outstanding to or from related parties as of December 31, 2018 (2017 - $nil).

CRITICAL ACCOUNTING ESTIMATES

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 the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenues and expenses and disclosures of contingent assets and liabilities. Actual results may differ from these estimates and the differences could be material. Estimates, judgments and assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods. Key areas of estimation where management has made difficult, complex or subjective assumptions, often as a result of matters inherently uncertain are summarized below.

Allowance for doubtful accounts

The Company applies an expected credit loss approach in determining allowances for doubtful accounts. The approach that the Company has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased.

Accrued liabilities

Measurement of accrued liabilities involves the use of estimates to be made by management for determining the amount to be accrued and/or disclosed in the consolidated financial statements. These estimates are based on the financial information available to management at the time of preparation of the consolidated financial statements.

Provision for income tax

Provision for income tax is made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities of the jurisdictions in which it operates. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient tax profits will be available to allow all or part of the asset to be recovered. Management applies judgement in determining the likelihood of future taxable profits.

Useful lives of property, plant and equipment and intangible assets

The Company estimates the useful lives of property, plant and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of relevant assets. In addition, the estimation of the useful lives is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives would increase the recorded expenses and decrease the non-current assets.

Fair value of assets and liabilities acquired in a business combination

Acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition dates. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment, other assets, liabilities assumed and contingent consideration are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

Compound financial instruments

The Company has issued a variety of financial instruments that require judgement to determine whether the security should be classified as an equity instrument, a financial liability or a compound financial instrument with both equity and liability components. Key factors impacting the classification of these instruments include the existence of maturity dates, mandatory interest and principal payments, conversion and redemption rights, subordination to other equity instruments and the ability to settle the instrument in cash or equity.

Impairment of non-current assets

Impairment exists when the carrying value of an asset or cash generating unit ("**CGU**") exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transaction in arm’s length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. Cash flows are derived from the projection for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance an asset’s performance. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured at a point in time and may change in subsequent periods. Where possible, fair value is determined by reference to quoted prices in the most advantageous active market available to the Company. In the absence of an active market, fair value is determined on the basis of valuation models, including discounted cash flow models. These models require assumptions of the amount and timing of future cash flows, discount rates and market conditions at the measurement date. External observable market data are used for these assumptions when available. When such data is not available, the Company uses the best possible estimate.

Revenue

The Company’s revenue policy was changed effective January 1, 2018 in accordance with IFRS 9. Refer to *"Change in Accounting Policy – IFRS 15 – Revenue From Contracts With Customers"*. Revenue is recognized when performance obligations are identifiable and recorded when goods or services are delivered to customers. Transaction prices are derived from specific selling prices either at the time of delivery or when the contract is signed with the customer for future delivery of products or services. The Company determines revenue to be transferred at a point in time when the physical asset or service is immediately transferred or consumed by the end customer. Revenue is considered to be transferred over a period of time when a series of activities are performed over a longer period of time to deliver a service or good to the customer.

For goods and services transferred over a period of time, revenue is recognized as the costs incurred to date compared to the total expected costs to be incurred to complete the contract. These estimates include assumptions regarding scheduling, costs of materials and labour, workforce productivity, changes in project scope and the ability to negotiate change orders to the original contract. The key estimates are applied consistent with those applied for the year ended December 31, 2018. These assumptions are subject to change over the construction period as new information becomes available. Revenue from change orders is recognized to the extent that management estimates that realization is probable.

All revenue includes an assessment of credit risk of the customer which is based upon a variety of factors including third party credit information, past payment history and industry insight.

Losses from any contracts are recognized in full in the period the loss becomes apparent. These losses are estimated upon project scope and expected costs of materials and labour.

Determination of CGUs

For the purposes of assessing impairment of non-financial assets, the Company must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identifiable cash flows. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. The Company has determined that its CGUs are its Subsidiaries as detailed in *"Nature of Operations"*.

BUSINESS RISKS AND UNCERTAINTIES

Mosaic and its subsidiaries are subject to a number of risks and uncertainties and those described below are not the only risks and uncertainties faced. Additional risks and uncertainties not currently known to Mosaic or that Mosaic currently deems immaterial may also adversely impact Mosaic's business, results of operations, financial condition or cash flow, and such impact may be material. Any of the matters highlighted in these risk factors could have a material adverse effect on Mosaic's business, results of operations, financial condition or cash flow (including Mosaic's ability to make distributions, dividends or other payments to its securityholders).

Economic and Political Conditions

Changes in economic conditions, including, without limitation, recessionary or inflationary trends, commodity prices, equity market levels or strength, consumer credit availability, interest rates, foreign exchange rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence could have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows. In addition, economic and business conditions in our markets may be affected by disruptions in the financial markets caused by political or other events and such affects may adversely impact Mosaic's business, financial condition, results of operations or cash flows.

Resource and Commodities Sector

Currently Mosaic holds an investment in a number of businesses which provide, directly or indirectly, oil and gas and mining sector services. In recent years, delays, capital investment or scope reductions and/or cancellations in previously announced or anticipated projects in the oil and gas and commodities mining sectors have demonstrated that economic activity in these sectors could be impacted by a variety of factors, including, but not limited to: the pricing of oil, potash and other commodities; market volatility; the impact of global economic conditions affecting demand or global financial markets; cost overruns on announced projects; efforts by owners to contractually shift risk for cost overruns to contractors; fluctuations in the availability of skilled labour; lack of sufficient governmental infrastructure to support growth; and the potential introduction of new "green" legislation. Any one or more of these or other factors may result in material adverse impacts to existing and previously projected oil and gas and mining sector activity and development, including postponements, cancellations and/or capital investment or scope reductions in respect to existing and new projects. These and other similar impacts or developments could have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows.

Lack of Diversification

Currently Mosaic holds investments in thirteen businesses: five within its infrastructure business segment, five within its diversified business segment, two within its energy business segment and one within its real estate business segment. All but three of Mosaic’s businesses and assets are currently concentrated in western Canada - Manitoba, Saskatchewan, Alberta and British Columbia. A number of the businesses are exposed to the oil and natural gas energy sector. As a result, multiple Mosaic businesses could be simultaneously impacted by significant changes in regional or industry sector economic circumstances, thereby resulting in potentially material impacts on consolidated earnings and cash flows. Mosaic does not have any specific limits on holdings in businesses in any one industry and Mosaic has not adopted any fixed guidelines for diversification. As a result, Mosaic's portfolio may be subject to more rapid changes in value than would be the case if Mosaic was more broadly diversified by industry and geography.

Competition for Acquisitions

Mosaic faces competition for acquisition candidates which may increase acquisition prices and reduce the number of acquisitions that will be completed by Mosaic. Some of Mosaic competitors are substantially larger and have access to greater financial resources. Competitors may also have a lower cost of funds and access to funding sources that are not available to Mosaic. If Mosaic is not able to compete effectively in this regard, its future growth may be negatively impacted.

Completion of Potential Acquisitions

Completion of any potential acquisition is subject to conditions which may include, without limitation, satisfactory completion of Mosaic's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Mosaic Board. As a result, there can be no assurance that Mosaic will complete any acquisitions publicly announced from time to time. If Mosaic does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; (iii) if capital has been acquired by Mosaic in anticipation of utilizing same to complete such acquisitions, Mosaic may possess substantial unutilized acquisition capacity which would cause its financial performance to be negatively impacted until suitable opportunities are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable opportunities will be available to Mosaic in the future or at all.

Cash Flow from Subsidiaries

Mosaic is entirely dependent on the operations of its subsidiaries to generate income and support its ability to make interest payments on the Senior Preferred Securities, Convertible Debentures and Debentures, pay dividends in respect of its Common Shares, and to pay corporate operating expenses. Mosaic's ability to generate income is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of its subsidiaries. Although Mosaic's subsidiaries intend to distribute some amount of their cash available for distribution, there can be no assurance regarding the amounts of income and cash flow to be generated by them and the amounts to be paid to Mosaic. The failure of any subsidiary to make its anticipated distributions could adversely impact Mosaic's financial condition and cash flows and, consequently, payments to holders of Senior Preferred Securities, Convertible Debentures and Debentures, as well as the ability of Mosaic to declare and pay dividends in respect of the Common Shares.

Liquidity

Liquidity risk is the risk that Mosaic will not be able to meet its financial obligations when they come due. Mosaic's principal source of funds is cash generated from its subsidiaries. It is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. Despite such expectations Mosaic may require additional equity or debt financing to meet its financial and operational requirements. There can, however, be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to Mosaic, in which event the financial condition, results of operation or cash flow of Mosaic may be materially adversely affected and the amount of cash available for interest payments or dividends to Mosaic securityholders may be reduced.

Availability of Financing

Mosaic may require additional capital to implement its business plan and objectives. There can be no assurance that debt or equity financing will be available or sufficient to meet the requirements of Mosaic to implement its objectives or, if debt or equity financing is available, that it will be on terms acceptable to Mosaic.

Acquisition Risk

Mosaic's future growth depends in large part on its ability to acquire additional businesses or interests therein and manage expansion and control costs in its operations. Mosaic's securityholders are dependent on the ability of Mosaic's management to identify, acquire and develop suitable acquisition targets. In pursuing a strategy of acquiring other businesses, Mosaic faces risks commonly encountered with growth through acquisitions. These risks include, but are not limited to, incurring undiscovered liabilities within the acquired businesses, diverting Mosaic's management resources, impairing relationships with employees, suppliers and/or customers as a result of changes arising from the acquisition, and incorrectly valuing acquired entities. In addition, although Mosaic will conduct a prudent level of investigation regarding the operating condition of the businesses it purchases, in light of the circumstances of each transaction, an unavoidable level of risk remains regarding the actual operations and operating condition of these businesses. If these risks cannot be adequately managed, the result could have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows.

An unsuccessful acquisition could have a material adverse impact on Mosaic or its results of operations or financial condition. For greater certainty, Mosaic securityholders will be totally dependent upon Mosaic's management and its directors in making investment decisions, managing growth and controlling costs.

Unknown Liabilities

By acquiring businesses and assets, Mosaic may have assumed unknown liabilities for which it may not be indemnified by the seller. The discovery of any material liabilities could have a material adverse effect on the business, financial condition, results of operations or cash flows of Mosaic and its subsidiaries.

Failure to Realize Benefits of Acquisitions

Mosaic may not realize the anticipated benefits of one or more of its acquisitions, or may not realize them in the time frame expected. Mosaic cannot provide assurance that, following completion of an acquisition, it will be able to grow or even sustain the cash flow generated by that acquired business. Difficulties encountered as a result of an acquisition may prove problematic to overcome such as, without limitation, the inability to integrate, train, retain and motivate key personnel of the acquired business, the inability to retain business relationships with current customers, and difficulties with the adoption or implementation of needed standards, controls, processes and systems within the acquired business.

Dependence on Key Personnel

The success of Mosaic and its investments depend upon the personal efforts of a small group of senior management. Although Mosaic believes it will be able to replace key employees within a reasonable time should the need arise, the loss of key personnel could have a material adverse effect on Mosaic's business, financial condition, liquidity and results of operations. Mosaic does carry "key man" insurance on certain key personnel.

Debt Securities

Mosaic may invest in debt securities. Debt securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations and are subject to price volatility due to facts such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. In addition, Mosaic may invest in instruments that have a credit quality below investment grade by internationally recognized credit rating organizations or may be unrated, which typically involve greater risk than higher grade issuers.

Tax Consequences

There may be an enactment, promulgation or public announcement of a change or proposed change in tax law (including a specific proposal to amend the Tax Act publicly announced by the Department of Finance of Canada or the Minister of Finance of Canada) or applicable case law or written and published interpretative guidance or policy of the Canada Revenue Agency or provincial equivalent that could result in a material impairment of, or materially adversely affect, the operations or financial or tax position of Mosaic or its subsidiaries.

Tax filings and filing positions made or taken or to be made or taken by Mosaic and its subsidiaries, including those related to income and expenses as well as those arising out of acquisition or disposition transactions, involve interpretations of the Tax Act which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to Mosaic or its subsidiaries, or both. Further, the acquisition and disposition of businesses and assets by Mosaic often involve various structuring events to complete the transactions in a tax efficient manner and, consequently, involve interpretations of the Tax Act which, if interpreted differently or challenged by taxing authorities, could result in tax liabilities to Mosaic or its subsidiaries, or both.

Elections have been made under the Tax Act such that certain transactions pursuant to which Mosaic acquired businesses or assets may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to a subsidiary pursuant to acquisition agreements may be less than its fair market value, such that a gain may be realized on the future sale of the property.

Regulation and Change in Law

Mosaic and its subsidiaries are subject to a variety of laws and regulations and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on Mosaic's business, financial condition, results of operations and cash flows. It is not possible for Mosaic to predict the cost or impact of such laws and regulations on their respective future operations.

Legal, tax and regulatory changes may occur that can adversely affect Mosaic and/or Mosaic securityholders. There can be no assurance that income tax, securities and other laws will not be changed in a manner which adversely affects Mosaic and/or Mosaic securityholders.

Legal Proceedings

Mosaic and its subsidiaries may, from time to time, be subject to legal proceedings (including claims and litigation) and any losses flowing therefrom may not be covered by our liability insurance. Such proceedings could result in significant losses and have a material adverse effect on Mosaic's business, financial condition, results of operations or cash flows.

Potential Conflicts of Interest

Certain of the directors and officers of Mosaic are also directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of Mosaic. Consequently, there exists the possibility for such directors and officers to be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA.

Impairment charges in goodwill or other intangible assets could adversely impact Mosaic's financial condition and consolidated results of operations

As a result of Mosaic's acquisitions, a portion of its total assets is comprised of intangible assets and goodwill. Mosaic is required to perform impairment tests of its goodwill and other intangible assets annually, or at any time when events occur that could affect the value of its intangible assets and/or goodwill. Mosaic has previously recorded impairment charges to its consolidated statements of operations. Mosaic expects to engage in additional acquisitions, which may result in recognition of additional intangible assets and goodwill. A determination that impairment has occurred would require Mosaic to write-off the impaired portion of its goodwill or other intangible assets, resulting in a charge to its earnings. Such a write-off could adversely impact Mosaic’s financial condition and results of operations.

Cyber attacks or other breaches of information technology security could have an adverse impact on our business

We rely on certain internal processes, infrastructure and information technology systems to efficiently operate our business in a secure manner, including infrastructure and systems operated by third parties. The inability to continue to enhance or prevent a failure of these internal processes, infrastructure or information technology systems could negatively impact our ability to operate our business. In particular, our cloud and connectivity services depend on very high levels of network reliability and availability in order to provide our customers with the ability to continuously monitor and receive data from their devices.

Cyber attacks or other breaches of network or IT systems security may cause disruptions to our operations. A major security breach could result in the loss of critical data, theft of intellectual property, disclosure of confidential information, customer claims and litigation, reduced revenues due to business interruption, costs associated with remediation of infrastructure and systems, class action and derivative action lawsuits and damage to our reputation. Furthermore, the prevalence and sophistication of these types of threats are increasing and our security measures may not be sufficient to prevent the damage that such threats can inflict on our assets and information. Our insurance may not be adequate to fully reimburse us for these costs and losses.

Employee Errors or Misconduct Could Result in Regulatory Sanctions or Reputational Harm

Misconduct by Mosaic's employees could result in Mosaic entering into transactions that exceed authorized limits or present unacceptable risks, potentially resulting in unknown or unmanageable risks or losses to Mosaic. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. It is not always possible to deter employee misconduct or prevent employee error, and the precautions in place may not be effective in all cases.

Risks Related to Ownership of Mosaic Securities

Ownership of Common Shares

There is no certainty as to any future dividend payments by Mosaic. Mosaic is not obligated to pay dividends on the Common Shares. The funds available for the payment of dividends (if any) will be dependent upon, among other things, income and cash flow generated by Mosaic through its subsidiaries, compliance with the Credit Facility, financial requirements for Mosaic's operations and the execution of its growth strategy, and the satisfaction of solvency tests imposed by the ABCA for the declaration and payment of dividends. Further, Mosaic's ability to pay dividends to holders of Common Shares will be subject to applicable laws and to any prior right to dividend, interest or other distribution payments in favour of any other security holders, including the Credit Facility, the holders of Preferred Securities, Convertible Debentures and Debentures.

No Guarantee of Interest Payments on Preferred Securities

Each Preferred Security bears simple interest at a rate of 6% per annum upon the $10 principal amount thereof which, therefore, gives rise to an entitlement to a monthly distribution in the amount of $0.05 ($0.60 per annum) which is payable each calendar quarter in arrears on or about the 15th day of the month which immediately follows such interest period. Although interest payable on the Preferred Securities will be cumulative and non-compounding, Mosaic may indefinitely defer payment of all or part of any accrued interest otherwise due on an interest payment date.

There can be no assurance regarding the amount of income and cash flow generated by Mosaic and its subsidiaries. The ability of Mosaic to pay interest on the Preferred Securities, and the actual amount paid by Mosaic, are entirely dependent on the operations and assets of Mosaic and its subsidiaries and are subject to various factors including financial performance, payment obligations under existing agreements, the sustainability of income and cash flow derived from operations, and capital expenditure requirements. Mosaic may be required to use part of its debt capacity, or reduce or defer interest payments, in order to address such factors. The value of the Preferred Securities will significantly deteriorate if Mosaic is unable to make the interest payments on the Preferred Securities.

Holders of Preferred Securities may be required to pay income tax for a taxation year on interest, if any, the payment of which is deferred by Mosaic until a date that is after the taxation year.

Repayment of the Convertible Debentures and Debentures

The Convertible Debentures will mature on December 31, 2021 and the Debentures will mature on January 26, 2024. Mosaic may not be able to refinance the principal amount of the Convertible Debentures or the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet these obligations. There is no guarantee that Mosaic will be able to repay the outstanding principal amount upon maturity of the Convertible Debentures or the Debentures.

Subordination of Preferred Securities and Convertible Debentures

The obligations under the Preferred Securities and the Convertible Debentures both constitute unsecured and subordinated obligations of Mosaic. Subject to the satisfaction of the Debt Incurrence Test under the Preferred Securities Indenture, neither the terms of the Preferred Securities Indenture, nor the terms of the Convertible Debenture Indenture, restrict the incurring of additional indebtedness by Mosaic, or its subsidiaries or affiliates, whether secured or unsecured and whether ranking senior, pari passu or junior to the Preferred Securities or the Convertible Debentures, as the case may be. Unless an instrument creating indebtedness is expressly stated to rank junior or pari passu with the Preferred Securities or the Convertible Debentures, the Preferred Securities and Convertible Debentures are, and will be, subordinated to the debt and other obligations of Mosaic and its subsidiaries, however the Preferred Securities do rank senior to the Convertible Debentures.

In the event of a bankruptcy, liquidation or reorganization of Mosaic or any of its subsidiaries, holders of its indebtedness and its trade creditors will generally be entitled to payment of their claims from the assets of Mosaic and its subsidiaries before any assets are made available for distribution to Mosaic or its holders of Preferred Securities or Convertible Debentures. As a result, neither holders of Preferred Securities nor holders of Convertible Debentures may receive any payment on their respective securities in the event of insolvency or winding-up of Mosaic.

Ranking of Debentures

The Debentures are secured only by way of a second priority security interest on the Personal Property and Real Property. ATB's first priority security interest on the Personal Property and Real Property could mean that such assets are not available to satisfy any obligations owing on the Debentures. In addition, although covenants given by Mosaic in various agreements may restrict incurring additional indebtedness, such indebtedness may, subject to certain conditions, be incurred. In the event of a liquidation of Mosaic's assets, holders of the Debentures may not recover the full amount of their investment.

Prevailing Yields on Similar Securities

Prevailing yields on similar securities will affect the market value of the securities of Mosaic. Assuming all other factors remain unchanged, the market value of the securities of Mosaic will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

Non-Redeemable Preferred Securities

The Preferred Securities are non-redeemable by the holders of the Preferred Securities and such holders will not be able to liquidate their investments by exercising redemption rights.

Redemption of Convertible Debentures Prior to Maturity

The Convertible Debentures may be redeemed, at the option of Mosaic, on and after December 31, 2019 at any time and from time to time (provided that, in the case of any redemption between December 31, 2019 and December 31, 2020, the Current Market Price of the Common Shares (as defined in the Convertible Debenture Indenture) on the date on which notice of redemption is given is not less than 125% of the conversion price of $9.00 per Common Share), upon payment of the principal, together with any accrued and unpaid interest.

Mosaic may exercise this redemption option if Mosaic is able to refinance at a lower interest rate or it is otherwise in the interest of Mosaic to redeem the Convertible Debentures. Mosaic's ability to redeem the Convertible Debentures may be limited by law, by the Convertible Debenture Indenture, by the terms of other existing or future agreements relating to the Facility or other credit facilities and other indebtedness and agreements that Mosaic may enter into in the future which may replace, supplement or amend its future debt.

Preferred Securities, Convertible Debentures and Debentures – No Rights as a Shareholder

The Preferred Securities, Convertible Debentures and Debentures do not confer any rights as a shareholder of Mosaic upon the holders of such securities, nor do indentures governing the Preferred Securities, Convertible Debentures or Debentures entitle the holders of such securities to any voting privileges or the right to receive notice of or attend at any meeting of the Mosaic shareholders. The holders of Preferred Securities, Convertible Debentures and Debentures will not have the statutory rights normally associated with ownership of shares of a corporation, including for example the right to bring "oppression" or "derivative" actions.

Inability of Mosaic to Purchase Convertible Debentures or Debentures

The holders of the Convertible Debentures and the Debentures will have the right to require Mosaic to repurchase their Convertible Debentures or Debentures, in whole or in part, at a price equal to 100% of the principal amount of the Convertible Debentures or 101% of the principal amount of the Debentures, as the case may be, together with any accrued and unpaid interest, upon the occurrence of a Change of Control (as defined in the Convertible Debenture Indenture or the Debenture Indenture, as applicable). It is possible that following a Change of Control, Mosaic will not have sufficient funds to make the required repurchase of Convertible Debentures or Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Return Not Certain

There is no guarantee that an investment in securities of Mosaic will earn any positive return in the short or long term. An investment in Common Shares, Preferred Securities, Convertible Debentures or Debentures may be more volatile and risky than some other forms of investment. All prospective investors should consider an investment in Mosaic within the overall context of their investment policies and objectives.

No Assurance of Active or Liquid Market

No assurance can be given that an active or liquid trading market for the Common Shares, Preferred Securities, Convertible Debentures or Debentures will develop or be sustained. If an active or liquid market for the Common Shares, Preferred Securities, Convertible Debentures or Debentures fails to develop or be sustained, the prices at which such securities trade may be adversely affected. Whether or not the Common Shares, Preferred Securities, Convertible Debentures or Debentures will trade at lower prices depends on many factors, including the liquidity of such securities, prevailing interest rates and the markets for similar securities, general economic conditions and Mosaic's financial condition, historic financial performance and future prospects.

Public Markets and Share Prices

The market price of the Mosaic listed securities could be subject to significant fluctuations in response to variations in Mosaic's operating results or other factors. In addition, fluctuations in the stock market may adversely affect the market price of the Mosaic listed securities regardless of the operating performance of Mosaic. Securities markets have also experienced significant price and volume fluctuations from time to time. In some instances, these fluctuations have been unrelated or disproportionate to the operating performance of issuers. Market fluctuations may adversely impact the market price of the Mosaic listed securities. There can be no assurance of the price at which the Mosaic listed securities will trade.

Additional Issuances and Dilution

Mosaic may issue and sell additional securities of Mosaic, including Common Shares and other securities of Mosaic, to finance its operations or future acquisitions. Mosaic cannot predict the size of future issuances of securities of Mosaic or the effect, if any, that future issuances and sales of such securities will have on the market price of any securities of Mosaic issued and outstanding from time to time. Sales or issuances of a substantial number of securities of Mosaic, or the perception that such sales could occur, may adversely affect prevailing market prices for securities of Mosaic issued and outstanding from time to time. With any additional sale or issuance of securities of Mosaic, holders may suffer dilution with respect to voting power and may experience dilution in Mosaic's earnings per share.

Future sales of Shares by directors and officers

Subject to compliance with applicable securities laws, directors and officers of Mosaic and their affiliates may sell some or all of their Mosaic listed securities in the future. No prediction can be made as to the effect, if any, such future sales of Mosaic listed securities will have on the market price of the shares prevailing from time to time. However, the future sale of a substantial number of Mosaic listed securities by the directors and officers of Mosaic and their Affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Mosaic listed securities.

Inaccurate or Unfavourable Research

The trading market for the Mosaic listed securities, if any, relies in part on the research and reports that securities analysts and other third parties choose to publish about Mosaic. Mosaic does not control these analysts or other third parties and it is possible that no analysts or third parties will cover Mosaic. The price of the Mosaic listed securities could decline if one or more securities analysts downgrade Mosaic or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about Mosaic or cease publishing reports about Mosaic.

Risks Related to Fairfax Interests in Mosaic

Risk of Change of Control as a result of Fairfax exercising the Fairfax Warrants

As a result of the Fairfax Financing, Fairfax Financial Holdings Limited now holds 17,026,106 Warrants. If the Warrants are fully exercised, Fairfax would own approximately 62% of the issued and outstanding Common Shares based on the number of Common Shares currently outstanding.

As a result, Fairfax could have majority control of Mosaic and could be in a position to exercise significant influence over all matters submitted to shareholders for approval, including the election and removal of directors, determination of significant corporate actions, amendments to Mosaic's articles and the approval of any business combinations, mergers or takeover attempts, in a manner that could conflict with the interests of other shareholders, such as preventing transactions from occurring in which an investor, as a holder of the Common Shares, might otherwise receive a premium for its Common Shares over the then-current market price. If Fairfax has majority control of Mosaic, the market value of the Common Shares may be less than would otherwise prevail absent such significant shareholder to reflect the potentially reduced liquidity of the Common Shares.

In addition, the potential concentration of Mosaic's issued and outstanding Common Shares in the hands of one shareholder may discourage an unsolicited bid for the Common Shares, and this may adversely impact the value and trading price of the Common Shares. Further, if Fairfax sells a substantial amount of the Common Shares in the public market, the market price of the Common Shares could fall. The perception among the public that these sales will occur could also produce the same effect.

The Convertible Debenture Indenture contains provisions for the issue of additional Common Shares upon conversion of the Convertible Debentures in the event of certain changes of control. The exercise of the Warrants by Fairfax could result in Mosaic having to issue additional Common Shares upon the conversion of any of the Convertible Debentures. This would cause holders of Common Shares to suffer dilution and could put negative pressure on the market prices for the Common Shares.

Restrictions under the Governance Agreement

Pursuant to the terms of the governance agreement, Mosaic is restricted from completing certain transactions while the Debentures remain outstanding, is required to refer certain potential transactions to Fairfax and has to provide Fairfax with a pre-emptive right. These restrictions provide Fairfax with the ability to influence and limit Mosaic's ability to pursue certain transactions including, without limitation, sales and acquisitions of assets, mergers and acquisitions and equity financings and may discourage third parties from entering into such transactions with

Mosaic or may delay such transactions if entered into by Mosaic. Accordingly, the restrictions in the governance agreement may limit the ability of Mosaic to grow its business and/or create value for its shareholders by entering into such transactions and may prevent transactions from occurring in which an investor, as a holder of the Common Shares, might otherwise receive a premium for its Common Shares over the then-current market price.

In addition, the governance agreement grants Fairfax the right to nominate two directors to the Mosaic Board, subject to Fairfax maintaining certain ownership levels in Mosaic. Accordingly, for so long as Fairfax maintains a such ownership levels, Fairfax will have the ability to exercise certain influence with respect to the affairs of Mosaic and may prevent Mosaic from entering into transactions that would grow its business and/or create value for its shareholders including by preventing transactions from occurring in which an investor, as a holder of the Common Shares, might otherwise receive a premium for its Common Shares over the then-current market price.

Potential Conflicts of Interest with Fairfax

Other than the requirement to refer certain transactions to Mosaic pursuant to a governance agreement, Fairfax is not limited or restricted in any way from owning, acquiring, lending to or otherwise being invested or involved in business which may be in competition with the business of Mosaic and its subsidiaries. Accordingly, Fairfax's continuing business may lead to conflicts of interest between Fairfax and Mosaic. Mosaic may not be able to resolve any such conflicts of interest and, even if it does, the resolution may be less favourable to Mosaic than if it were dealing with a party that was not the holder of a significant interest in Mosaic. There can be no assurance that actual or potential conflicts of interest will be resolved in favour of Mosaic.

Fairfax has the Right to Nominate a Majority of the Board of Directors if Interest is Deferred under the Preferred Securities

In the event Mosaic defers payment of all or any part of the accrued interest due on an interest payment date for four interest payment dates, whether or not consecutive, the holders of the Preferred Securities will, so long as all or any such arrears of accrued interest remains unpaid, have the right to appoint to the Mosaic Board (or to nominate for election as a director of Mosaic) the majority of the directors of Mosaic. In such circumstances, Fairfax would be in a position to exercise significant influence over Mosaic's operations including the determination of significant corporate actions and potential transactions in a manner that could conflict with the interests of other shareholders. If Fairfax controls the Mosaic Board, the market value of the Common Shares may be less than would otherwise prevail absent such significant influence.

Risk of Dilution from Exercise of Warrants

If Fairfax exercises some or all of its Warrants, holders of Common Shares will suffer dilution and could put negative pressure on market prices for the Common Shares.

Risks Related to the Mosaic Subsidiaries

Investment Risk

Mosaic routinely evaluates and considers a wide array of potential transactions, including joint ventures, business combinations, acquisitions and dispositions of businesses, service or product offerings or acquisitions and other asset transactions. At any given time Mosaic may be engaged in discussions or negotiations with respect to one or more of these types of transactions. Any of these transactions could be material to Mosaic's financial condition, results of operations or cash flow.

The process of integrating any acquired business may create unforeseen operating difficulties and expenditures and is itself risky. In respect of an acquired business, the areas where Mosaic, from time to time, faces cost, risk and/or difficulty, which may be material in scope and degree, include:

(a) diversion of an excessive amount of Mosaic management time to manage issues in that operating subsidiary;

(b) a shift of focus of Mosaic management, or that of a subsidiary's management, away from core operating and business strategies and priorities, to the matters of, and issues related to, integration, administration or unforeseen business or operating issues;

(c) declining employee morale and retention issues resulting from changes in compensation, management, reporting relationships, future prospects or the direction or culture of the business;

(d) the need to integrate the subsidiary's accounting, management, information, human resource and other administrative systems to permit effective management, and the resulting lack of control if such integration is delayed or not implemented;

(e) having to deal with an acquired entity which often lacks sufficient or effective business and financial controls, procedures, policies and operational oversight thereby increasing the risk of liabilities arising from activities of the acquired business (and its personnel) for matters both before and/or after the acquisition, including violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities. Implementation of appropriate business and financial controls is generally paid out of operating cash flows which may reduce cash flow available for Mosaic's other business operations, new business opportunities or Mosaic's securityholders;

(f) being able to garner the time, effort and commitment (buy-in) from existing personnel of an acquired business which is required in order to effectively implement controls, procedures and policies appropriate for that acquired business which, prior to the acquisition, had lacked such controls, procedures and policies;

(g) developing and implementing management succession planning strategies and plans to effectively provide for proper continuity of capable executive management personnel over time within the acquired entity; and

(h) the risk of liabilities and contingencies arising which are not discovered prior to consummation of an acquisition, including in respect of those businesses already acquired by Mosaic, and in respect of which Mosaic may not be indemnified for some or all of such liabilities and contingencies.

Fluctuations in Operating Performance

Mosaic's working capital requirements and cash flows are likely to be subject to quarterly and yearly fluctuations, depending on a number of factors. Factors which could result in cash flow fluctuations include:

(a) the level of sales and the related margins on those sales;

(b) the collection of receivables;

(c) the timing and size of purchases of inventory and related components; and

(d) the timing of payment on payables and accrued liabilities.

If Mosaic is unable to effectively manage fluctuations in cash flow, its business, operating results and financial condition may be materially adversely affected.

Economic Conditions

Current economic conditions at both a domestic and international level may impact customer demand for the products and services of Mosaic's subsidiaries. Changes in, among other things, interest rates, consumer and business confidence, corporate profits, credit conditions, foreign exchange rates, commodity prices and the level of government infrastructure spending may influence the operating and capital spending of the customers of Mosaic's subsidiaries and, therefore, impact the revenues and results of operations of those subsidiaries and, in turn, of Mosaic. There can be no assurance that Mosaic's financial condition, results of operations or cash flows will not be adversely affected by changes in economic conditions.

Project Contract Execution

Certain of Mosaic's businesses perform services and supply goods pursuant to short or long-term project contracts. These contracts may include unit and/or lump-sum pricing. They may include penalty provisions covering non-performance or late performance. For Mosaic businesses which perform services under such contracts, there is risk of significant variances from anticipated profits due to project issues including non-performance, timing of completion, collections, inadequate project management, subcontractor performance, change orders and contractual disputes and deficiencies. As well, accounting for lump-sum projects is subject to management estimates and information flows regarding percentage of project completion. Any of these factors could adversely impact Mosaic's consolidated results from operations, cash flows and financial position.

Foreign Exchange

Certain Mosaic subsidiaries’ revenues are denominated in United States currency. When consolidating the financial results of the foreign operations, the related non-cash foreign exchange fluctuations may have a material adverse effect on Mosaic’s financial position and comprehensive income.

Political or Economic Changes or other Factors in the US

Remote Waste conducts operations in Texas and Mackow Industries’ and Circle 5’s success largely depends on the ability of its customers to continue to succeed in the United States marketplace. Mosaic’s future results could be materially adversely affected by a variety of factors relating to our operations in the United States, any or all of which could have a material adverse effect on our operating results and financial condition, including, among others, foreign currency exchange rates, political or social unrest, economic instability or weakness, natural disasters, environmental and trade protection measures, and other legal and regulatory requirements, some of which may affect our ability to import our products to, export our products from, or sell our products in the United States. In addition, political considerations that affect government spending patterns, difficulties in staffing and managing operations in the United States, and adverse tax consequences, including imposition of withholding or other taxes on payments by subsidiaries, could have a material adverse effect on our operating results and financial condition.

Customer Base

Some of the subsidiaries of Mosaic derive a significant portion of their revenues from a reasonably concentrated number of customers. If one or more of the larger customers of a Mosaic subsidiary were to cease doing business with that subsidiary, or significantly reduced its business with that subsidiary, the financial condition and results of operations of such subsidiary could be materially adversely affected.

Customer Relationships

There is a risk that one or more material customers of a Mosaic subsidiary may, without notice or penalty, terminate their relationship with Mosaic's subsidiaries at any time. In addition, even if customers should decide to continue their relationship with Mosaic's subsidiary, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. A loss of customers, a substantial decrease in order volumes from customers, a loss of a significant customer or a change in the terms of the relationship with a significant customer could have an adverse impact on Mosaic's financial performance. Further, from time to time, one or more of Mosaic's subsidiaries may generate a material portion of its revenue from one customer or a consolidated or affiliated group of companies.

Dependence on Key Personnel

The success of Mosaic's subsidiaries is typically dependent on a few certain key senior employees. The loss of any one of these key employees could impair the ability of the affected subsidiary to operate at its optimum level of performance.

Contractual Risks

Mosaic or its subsidiaries may from time to time provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract and no assurance can be given that a liability arising pursuant to such contractual provisions may not have a material adverse effect on the business, financial condition, results of operations or cash flow of Mosaic or one of the subsidiaries.

Competition from Competitors Supplying Similar Products and Services

Many of the competitors of Mosaic's subsidiaries have economic resources greater than those of Mosaic or its subsidiaries. Some competitors may become larger or more effective in the marketplace and pose an additional competitive threat to Mosaic's subsidiaries. A competitor may reduce the price of its products or services in an attempt to gain increased sales, and the corresponding pricing pressure placed on Mosaic's subsidiaries may result in reduced profit margins or cash flow. A loss of business may occur if Mosaic's subsidiaries do not meet competitive prices that fall below its profitability targets. There can be no assurance that other businesses in the industries of Mosaic's subsidiaries will not be attracted to enter this market that could have greater financial, technological, manufacturing or marketing resources than Mosaic's subsidiaries.

Adverse Weather Conditions

Adverse weather conditions for prolonged periods can materially impact the business, operating results and financial condition of certain of the Mosaic subsidiaries. As a result, the income, cash flow or operating results of Mosaic may be negatively affected.

Seasonality and Fluctuations in Results

The revenue and operating results of the business of some of the Mosaic subsidiaries have historically displayed seasonal variations throughout the year, and this variation is expected to continue in the foreseeable future.

Uninsured and Underinsured Losses and Insurance Costs

Mosaic will use its discretion in determining amounts, coverage and limits and deductibility provisions of insurance for acquired businesses, with a view to maintaining adequate insurance coverage on its assets at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets. A substantial loss without adequate insurance coverage could have a material adverse effect on Mosaic's business, financial condition, liquidity or results of operation.

Labour Supply

The success of any Mosaic subsidiary is dependent in large part upon their ability to attract, train and retain key management personnel and employees. The local and regional markets within which Mosaic's subsidiaries operate are typically competitive as to labour supply. There is no guarantee that the Mosaic subsidiaries will be able to attract, train and retain the qualified personnel needed for their businesses. In addition, there is no certainty that labour expenses will not increase as a result of shortage in the supply of skilled personnel. A failure to attract, train or retain qualified personnel, and/or increased labour costs, could have a material adverse effect on one or more of the subsidiaries. Further, there is no guarantee that the employees of a Mosaic subsidiary will not be certified by a union in the future. A disruption of operations as a result of a labour dispute could also have a material adverse effect on the business, financial condition or results of operations of the particular subsidiary of Mosaic in question.

Illiquidity of Investments

Mosaic's investment in its current subsidiaries and the other businesses and assets in which it may invest, are, and likely will be, unlisted and otherwise illiquid and difficult to value. The valuation of these businesses, securities and assets is subject to a significant amount of subjectivity and discretion. There is no guarantee that fair value will be realized by Mosaic on the sale of these assets. Further, such illiquidity will limit the ability of Mosaic to vary its portfolio promptly in response to changing economic or investment conditions.

Speculative Nature of Investment

Due to the relatively small size of the businesses acquired by Mosaic, these businesses generally entail a greater degree of risk to their continuing operations than do larger businesses and so should be considered speculative. There is no assurance that the Mosaic subsidiaries will be able to maintain or improve their respective position in the markets in which they currently participate or expand into new geographical markets.

Brand Reputation

Damage to the reputation of our subsidiaries' brands could result from events out of our control and have a negative impact on our subsidiaries' performance.

Risks Related Specifically to Mosaic's Real Estate Segment

Real Estate Industry

All real estate investments are subject to varying degrees of risk depending on the nature of the property in question. The value of Mosaic's investments in its properties is subject to changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the oversupply of a real estate product or a reduction in demand for properties in any particular area), the attractiveness of such properties to current and potential tenants, the competition from others with similar developments, and the ability of Mosaic to adequately maintain and improve its properties pursuant to its business plan at an economic cost. This may adversely affect Mosaic's ability to carry out its business strategy of selling its portfolio of properties individually.

Also, Mosaic may be unable to obtain financing to maintain an appropriate capital structure. There is no certainty that financing will be available upon the maturity of any existing mortgage at interest rates equal to or lower than the interest rate payable under an expiring mortgage, or on other terms as favourable as the original term of the existing mortgage, or at all. If Mosaic is unable to refinance its indebtedness on acceptable terms, or at all, Mosaic may need to dispose of one or more of its properties on disadvantageous terms. Prevailing interest rates or other factors at the time of refinancing could increase its interest expense, and if Mosaic mortgages property to secure payment of indebtedness and is unable to make mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of Mosaic's rents and leases.

Economic Conditions

As it is dependent on lease income for a portion of its revenue, Mosaic's operating results are sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect lease rates in its properties. In particular, given the concentration of Mosaic's properties in Alberta and Saskatchewan, a material reduction in oil prices or in oil and gas industry investment could materially adversely affect Mosaic. Mosaic's operating results in individual markets could be adversely affected by local or regional economic downturns, which could have a material adverse effect on the business, financial condition and results of Mosaic.

Illiquidity

Real estate is relatively illiquid in relation to publicly traded securities. Such illiquidity will limit Mosaic's ability to adjust its portfolio in response to changing economic or investment conditions. Financial difficulties of other property owners that result in distressed sales could depress real estate values in markets in which Mosaic operates. If Mosaic were required to liquidate its assets, there is a risk that it would realize sale proceeds of less than the book value of the properties that have been acquired by Mosaic. This may adversely affect Mosaic's ability to carry out its business strategy of selling its portfolio of properties individually, which may impact dividend or other payments to its securityholders.

Demand Risk

The value of real property and any improvements thereon may depend on the strength of the commercial property market in Mosaic's target markets. Mosaic's projected income would be adversely affected if there were a marked increase in the vacancy rates or decrease in the market lease rates for its properties. The ability of Mosaic to lease non-leased properties will be affected by many factors. The failure of Mosaic to lease non-leased properties on a timely basis or at all would likely have an adverse effect on Mosaic's financial condition. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Mosaic than the existing lease. Mosaic could be adversely affected, in particular, if any major tenant ceases to be a tenant and cannot be replaced on similar or better terms.

Development and Construction

Through First West, Mosaic's business involves the development and construction of commercial real estate. Unforeseen conditions or developments could arise during the course of these projects that could delay or prevent completion of, and/or substantially increase the cost of construction and/or could affect the current and projected level of production, the sustaining capital requirements or operating cost estimates relating to the projects. Such conditions or developments may include, without limitation, shortages of equipment, materials or labour; delays in delivery of equipment or materials; customs issues; labour disruptions; difficulties in obtaining necessary services; delays in obtaining regulatory permits; local government issues; political events; adverse weather conditions; unanticipated increases in costs of equipment, material and labour; natural or man-made disasters or accidents; and unforeseen engineering, technical and technological design, geotechnical, environmental, infrastructure or geological problems. Any such event could create delays, and affect production and cost estimates. There can be no assurance that the development or construction activities will proceed in accordance with current expectations or at all.

Credit Risk Relating to Ownership of Income-Producing Properties

As an owner of income-producing properties, a significant portion of Mosaic's rental revenue and accounts receivable are due from tenants. Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Mosaic's credit risk is limited to the recorded amount of tenant accounts receivable which, as of the date of this AIF, is not a material amount. First West extends unsecured credit to these tenants and, therefore, the collection of accounts receivable may be affected by changes in economic or other conditions.

Fixed Costs

Certain expenditures, including mortgage payments, insurance costs, and property taxes must be made regardless of whether or not Mosaic's properties are producing sufficient income to service such expenses. Many of First West's properties are subject to mortgages which require debt service payments. If Mosaic is unable or unwilling to make the required mortgage payments on any property owned by it, losses could be sustained as a result of the mortgagee's exercise of its right of foreclosure or power of sale, as applicable. In addition, interest rates on variable rate debt are subject to fluctuations and may affect the viability of a particular property.

Environmental Liabilities

Under various federal and provincial environmental laws and regulations, a current or previous owner or operator of real property may be held liable for the costs of removal or remediation of certain hazardous or toxic substances, including, without limitation, asbestos-containing materials or oil-related items that could be located on, in or under such property. Such laws and regulations often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. The costs of any required removal or remediation of these substances could be material. The liability of an owner or operator is generally not limited under such laws and regulations and could exceed a property's value or even the value of the total assets of the owner or operator. The presence of these substances or failure to remediate such substances properly may also have an adverse effect on an owner or operator's ability to sell or lease the property, or to borrow money using the property as collateral. Although Mosaic typically conducts environmental due diligence prior to acquiring any property, it could be liable for such type of costs as well as for certain other costs, including governmental fines and damages for injuries caused to persons or property. As a result, the presence, with or without Mosaic's knowledge, of hazardous or toxic substances at a property held or operated by Mosaic could have a material adverse effect on Mosaic's business and its results of operations.

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

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.

Comparative financial information for the year ended December 31, 2017, has not been restated and continues to be reported und the accounting standards in effect for that period.

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 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 customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Further, the Company considers that for practical expedience 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 net income 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 (accrued contract revenue) 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 (deferred contract revenue) 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. The Company does not adjust transaction prices for the effects of a significant financing component when the period between the transfer of the promised goods or services to the customer and payment by the customer is less than one year.

Comparative financial information for the year ended December 31, 2017, has not been restated and continues to be reported under the accounting standards in effect for that period with the exception of a reclassification of the contract asset accrued contract revenue from trade, accrued and other receivables.

Changes 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, Q4 2018	Increased expense, fiscal 2018
Customer relationships	4-15 years	3-15 years	$ 1,488	$ 4,464
Non-compete agreements	5 years	3-6 years	$ 36	$ 108

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 substantially the same, specific assets within the class were amended.

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

Effective January 1, 2019, the Company will be adopting IFRS 16. IFRS 16 specifies how an 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 which is substantially unchanged from its predecessor, IAS 17 - Leases. Application is required for annual reporting periods beginning on or after January 1, 2019. 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. The Company intends to adopt the full retrospective effect.

IFRS 16 is expected to significantly increase the assets and liabilities on the consolidated statement of financial position as the majority of leases disclosed in *"Contractual Obligations"* are in scope for IFRS 16.

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 disposal 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:

	Three months ended December 31,		Year ended December 31,	
(in $000s, except as noted)	**2018**	2017	**2018**	2017
Net income and comprehensive income	**$ 3,537**	$ (9,509)	**$ 17,053**	$ 7,117
Add (deduct):				
Provision for income taxes	**(1,926)**	(2,220)	**(2,487)**	(2,220)
Change in fair value	**(2,396)**	4,335	**(18,308)**	(4,763)
Other income	**(17)**	(1,665)	**(1,146)**	(1,593)
Share of joint venture loss (income)	**(68)**	(377)	**(227)**	(717)
Foreign exchange (gain) loss	**(333)**	(163)	**(328)**	131
Net financing costs	**2,682**	3,502	**10,654**	8,103
Impairment loss	**-**	3,798	**828**	3,798
Equity-based compensation	**210**	353	**767**	391
Loss on sale of property, plant and equipment	**1,749**	30	**1,704**	94
Current translation adjustment	**(296)**	278	**(564)**	278
Amortization:				
Intangible assets	**3,595**	4,597	**14,284**	9,428
Property, plant and equipment	**2,135**	2,069	**8,010**	7,002
Income producing properties	**-**	49	**-**	195
Acquisition and financing costs	**-**	119	**-**	784
Adjusted EBITDA	**$ 8,872**	$ 5,196	**$ 30,240**	$ 28,028
Add (deduct):				
Non-controlling interest's share of Adjusted EBITDA	**(2,579)**	(1,758)	**(8,993)**	(8,902)
Mosaic's share of:				
Net cash interest expense	**(1,756)**	(1,503)	**(7,197)**	(5,148)
Current income tax expense	**(102)**	(484)	**(863)**	(1,695)
Sustaining capital expenditures	**(812)**	(215)	**(2,608)**	(1,193)
Free Cash Flow	**$ 3,623**	$ 1,236	**$ 10,579**	$ 11,090

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. It is a percentage calculated as: (i) total amount of Preferred Securities distributions declared 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 declared to holders of Mosaic Preferred Securities 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 TTM periods ended December 31, 2018, yields payout ratios of 57% (2017 - 63%). 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 of dividends declared to holders of Preferred Securities 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 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 December 31, 2018, yields payout ratios of 99% (2017 - 103%). 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;
- the expected growth of SME owners over the age of 65;
- the holder of common shares having their dividends reinvested under the DRIP;
- Mosaic's ability to collect accounts receivable;
- 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 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 Preferred Securities, 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 and accounting estimates.

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.

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