MOSAIC CAPITAL CORPORATION

Management's Discussion and Analysis
For the Three Months Ended March 31, 2019

"Growth through sustainable cash flow"

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BASIS OF PRESENTATION

This management's discussion and analysis ("**MD&A**") for Mosaic Capital Corporation's ("**Mosaic**" or the "**Company**") financial condition, results of operations and cash flows for the three months ended March 31, 2019, should be read in conjunction with Mosaic's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018, the audited consolidated financial statements for the years ended December 31, 2018 and 2017, the annual MD&A for the year ended December 31, 2018 and the annual information form ("**AIF**") for the year ended December 31, 2018. The three-month periods ended March 31, 2019 and 2018 are herein referred to as "**Q1**". This MD&A was prepared effective May 14, 2019.

Unless otherwise noted, all financial information is prepared in Canadian dollars, in accordance with International Accounting Standard ("**IAS**") 34 - Interim Financial Reporting within the framework of International Financial Reporting Standards ("**IFRS**"), using the accounting policies described in Note 3 of the audited consolidated financial statements for the years ended December 31, 2018 and 2017 and Note 3 of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018. Effective January 1, 2019, Mosaic adopted the new accounting standard, IFRS 16 - Leases, that is discussed in *"Changes in Accounting Policies"* in this MD&A. The adoption of IFRS 16 has a significant effect on Mosaic's reported results. The Company has applied the full retrospective approach whereby the prior period financial information has been restated. The impact of the changes are detailed in Note 3 of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 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 March 31,		
(in $000s, except as noted)	**2019**	2018	% Change
		(restated) (2)	
Revenue	**$ 96,137**	$ 67,962	41%
Adjusted EBITDA (1)	**$ 7,219**	$ 2,973	143%
per share	***$ 0.68***	*$ 0.28*	*143%*
as a % of revenue	***7.51%***	*4.37%*	*72%*
Net (loss) income and comprehensive (loss) income	**$ (3,064)**	$ 5,652	-154%
Net (loss) income attributable to equity holders	**$ (4,891)**	$ 6,574	-174%
per share	***$ (0.46)***	*$ 0.62*	*-174%*
Free Cash Flow (1)	**$ 1,770**	$ (854)	307%
per share	***$ 0.17***	*$ (0.08)*	*307%*
Preferred securities distributions declared	**$ 1,479**	$ 1,479	-
Common share dividends declared	**$ 1,115**	$ 1,113	-
per share	***$ 0.105***	*$ 0.105*	-
TTM Preferred Distribution Payout Ratio (1)	**46%**	77%	-40%
TTM Combined Payout Ratio (1)	**81%**	135%	-40%
Weighted avg. common shares outstanding	**10,608,058**	10,573,667	-

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) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Financial Position

As at *(in $000s, except as noted)*	**Mar 31, 2019**	Dec 31, 2018 *(restated)*
Cash and cash equivalents	**$ 16,325**	$ **14,766**
Working capital	**$ 65,643**	$ **65,226**
Total assets	**$ 353,780**	$ **358,833**
Loans and borrowings	**$ 134,792**	$ **137,386**
Liabilities exchangeable with equity	**$ 27,168**	$ **24,198**
Shareholders' equity	**$ 68,074**	$ **73,855**
Non-controlling interests	**$ 51,145**	$ **51,580**
Common share and other securities outstanding:		
Common shares	**10,608,058**	**10,608,058**
Common share purchase warrants	**17,026,106**	**17,026,106**
Convertible debentures	**13,124**	**13,124**
Options and restricted share units	**1,034,923**	**1,034,923**

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.

FIRST QUARTER ACHIEVEMENTS

For the three months ended March 31, 2019, Mosaic:

- increased revenue by 41% over Q1 2018 to a record first quarter level of $96.1 million, largely driven by improved activity levels and market share gains in its underlying portfolio companies;
- generated record first quarter Adjusted EBITDA of $7.2 million which was an increase of 143% over the prior year period, largely driven by improved profitability levels at certain portfolio companies within the Infrastructure business segment;
- provided dividends of $1.1 million to shareholders;
- posted a trailing twelve-month Combined payout ratio of 81%;
- divested a property that was classified as assets held for sale within the Real Estate segment with net proceeds of $2.7 million being used to repay $2.0 million of liabilities associated with assets held for sale;
- maintained a healthy balance sheet with $16.3 million in cash, $65.6 million in working capital and Total Debt to Gross EBITDA leverage of 1.39; and
- subsequent to March 31, 2019, divested one of the two remaining properties categorized as assets held for sale with net proceeds of $0.5 million being used to repay the remaining liabilities associated with assets held for sale.

OUTLOOK

Management is pleased with the Company's Q1 2019 financial and operating results as continued efforts to drive sustainable improvements at the portfolio company level illustrate positive impacts. All segments delivered strong quarter-over-quarter gains in Adjusted EBITDA and this, coupled with continued overhead cost discipline, enabled record first quarter results.

Moving through the second quarter of 2019, we continue to see favourable operating conditions for many of our portfolio companies which include supportive weather to date, strong customer demand and the commencement of a number of projects previously held in our backlog. Reflecting on this positive operating environment, we expect to deliver EBITDA growth in the second quarter of 2019 which positions Mosaic to deliver annual growth in 2019.

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

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

RESULTS OF OPERATIONS

Revenue and Adjusted EBITDA

	Three months ended March 31,		
(in $000s, except as noted)	**2019**	2018	% Change
		(restated) (2)	
Revenue	**$ 96,137**	$ 67,962	41%
Operating expenses	**88,918**	64,989	37%
Adjustments to EBITDA	**-**	-	-
Adjusted EBITDA (1)	**$ 7,219**	$ 2,973	143%
as a % of revenue	***7.51%***	*4.37%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Revenue for Q1 2019 increased 41% or $28.2 million to $96.1 million as compared to Q1 2018, driven by increased activity levels for specific portfolio companies within the Infrastructure business segment. Adjusted EBITDA increased 143% or $4.2 million to $7.2 million as compared to Q1 2018. 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 314-basis points in Q1 2019 as compared to the prior year period for the reasons noted above.

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

(in $000s, except as noted)	Three months ended March 31, **2019**	2018 *(restated)* [2]	% Change
Revenue:			
Infrastructure	**$ 66,515**	$ 42,706	56%
Diversified	**25,895**	22,532	15%
Energy	**3,702**	2,655	39%
Real Estate	**25**	69	-64%
Corporate	**-**	-	-
Total revenue	**$ 96,137**	$ 67,962	41%
Adjusted EBITDA [1]			
Infrastructure	**$ 4,291**	$ 1,345	219%
Diversified	**3,691**	3,226	14%
Energy	**598**	109	449%
Real Estate	**(64)**	(114)	45%
Corporate	**(1,297)**	(1,593)	19%
Total adjusted EBITDA	**$ 7,219**	$ 2,973	143%
as a % of revenue	***7.51%***	*4.37%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

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:

(in $000s, except as noted)	Three months ended March 31, **2019**	2018 *(restated)* [2]	% Change
Revenue	**$ 66,515**	$ 42,706	56%
Operating expenses	**62,224**	41,361	50%
Adjusted EBITDA [1]	**$ 4,291**	$ 1,345	219%
as a % of revenue	***6.45%***	*3.15%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Revenue for the first quarter of 2019 increased 56% or $23.8 million over Q1 2018. This was primarily due to improved activity levels for the underlying portfolio companies. For Q1 2019, Adjusted EBITDA increased 219% or $2.9 million over Q1 2018 resulting from improved activity levels mentioned above and improved profitability levels at Ambassador and Bassi. On a margin basis, this was an overall increase of 330-basis points.

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 March 31,		
(in $000s, except as noted)	**2019**	2018	% Change
		(restated) (2)	
Revenue	**$ 25,895**	$ 22,532	15%
Operating expenses	**22,204**	19,306	15%
Adjusted EBITDA (1)	**$ 3,691**	$ 3,226	14%
as a % of revenue	***14.25%***	*14.32%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Revenue for Q1 2019 increased 15% or $3.4 million over Q1 2018 due to improvements in activity levels at Industrial Scaffold and Mackow. Adjusted EBITDA for the current quarter increased 14% or $0.5 million over Q1 2018. On a margin basis, Adjusted EBITDA weakened by 70-basis points over the same period last year due to product mix differences at Mackow offset by operational improvements at Industrial Scaffold.

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 March 31,		
(in $000s, except as noted)	**2019**	2018	% Change
		(restated) (2)	
Revenue	**$ 3,702**	$ 2,655	39%
Operating expenses	**3,104**	2,546	22%
Adjusted EBITDA (1)	**$ 598**	$ 109	449%
as a % of revenue	***16.15%***	*4.11%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

The Q1 2019 revenue increase of 39% or $1.0 million was the result of continued market penetration in the U.S. energy sector for Remote. Adjusted EBITDA increased 449% or $0.5 million over Q1 2018, due to the increase in revenue activities. Adjusted EBITDA margins strengthened 1,204-basis points for reasons noted 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 March 31,		
(in $000s, except as noted)	**2019**	2018	% Change
		(restated) (2)	
Revenue	**$ 25**	$ 69	-64%
Operating expenses	**89**	183	-51%
Adjusted EBITDA (1)	**$ (64)**	$ (114)	44%
as a % of revenue	***-256.00%***	*-165.22%*	

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

This segment contains assets that have been classified as held for sale. In Q1 2019, Mosaic divested a property with a carrying value of $2.7 million for proceeds of $2.7 million. As at March 31, 2019, this segment consisted of two properties with an aggregate net book value of $1.0 million and an investment in a joint venture with a carrying value of $2.2 million. The improvement in Adjusted EBITDA for the three months ended March 31, 2019, was primarily due to a lower number of properties in this business segment. Subsequent to March 31, 2019, the Company divested one of the two remaining properties. Refer to *"Subsequent Event"*.

Corporate

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
		(restated) (2)	
Operating expenses	$ 1,297	$ 1,593	-19%
External acquisition costs	-	-	-
Adjusted EBITDA (1)	$ (1,297)	$ (1,593)	19%

Notes:
(1) Adjusted EBITDA is not a recognized measure under IFRS. Refer to *"Non-GAAP Measures"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

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 Q1 2019 is primarily related to reductions in professional fees.

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.

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
		(restated) (1)	
Amortization expense:			
Property, plant and equipment	$ 1,468	$ 1,617	-9%
Leased assets	1,529	1,427	7%
Intangible assets	3,282	3,381	-3%
Total amortization expense	$ 6,279	$ 6,425	-2%

Note:
(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Amortization expense was relatively consistent quarter-over-quarter for Q1 2019 as compared to Q1 2018..

Equity-based Compensation

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
Equity-based compensation	$ 220	$ 174	26%

Equity-based compensation of $0.2 million for Q1 2019 (Q1 2018 - $0.2 million) relates 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.

Net Financing Costs

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
		(restated) (1)	
Interest:			
Expense related to other debt instruments	**$ 1,697**	$ 1,868	-9%
Expense related to leases	**284**	225	26%
Income on cash and cash equivalents	**(50)**	(28)	79%
Accretion expense	**299**	351	-15%
Amortization of debt issue costs	**144**	126	14%
Net finance costs	**$ 2,374**	$ 2,542	-7%
as a % of average debt outstanding	***5.95%***	*6.43%*	

Note:
(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

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 4.97% for Q1 2019 (Q1 2018 - 5.29%) which is consistent with Mosaic's overall debt facilities.

Share of Joint Venture Loss

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
Share of joint venture loss	**$ 18**	$ 13	-38%

The joint venture is between FWPLP and Harbour Equity Capital Corp. which is developing an industrial park near Regina, Saskatchewan. In Q1 2019, Mosaic realized a loss of $18,000 (Q1 2018 - $13,000). As of March 31, 2019, 56% of the project has been sold.

Change in Fair Value

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
Common share purchase warrants	**$ 2,602**	$ (8,983)	129%
NCI put options	**221**	(936)	124%
Risk management contracts	**(603)**	-	NA
Change in fair value	**$ 2,220**	$ (9,919)	122%

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 loss of $2.6 million in Q1 2019 (Q1 2018 - gain $9.0 million), was driven by the change in the Company's common share market price since December 31, 2018, which changes the derivative liability's fair value with the offset being an charge to income.

A loss of $0.2 million, for Q1 2019 (Q1 2018 gain - $0.9 million) was recognized upon the revaluation of a non-controlling interest put option. Refer to *"Capital Resources - Loans and Borrowings - Non-Controlling Interest Put Options"* for additional details.

A gain of $0.6 million for Q1 2019 was recognized with respect to foreign exchange forward contracts.

Provision for Income Tax

(in $000s, except as noted)	Three months ended March 31, 2019	2018	% Change
		(restated) (1)	
(Loss) income before income taxes	**$ (4,083)**	$ 3,973	-203%
Provision for income taxes	**$ (1,019)**	$ (1,679)	39%
effective income tax rate	***24.96%***	*-42.26%*	

Note:
(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Included in Q1 2019 was a current tax provision of $0.1 million (Q1 2018 - $0.2 million) offset by a deferred tax reduction of $1.1 million (Q1 2018 - $1.9 million). The variance from the expected tax provision was predominately the result of the change in fair value of the Warrants and distributions made to preferred security holders having different attributes for tax purposes than accounting under IFRS.

Net Income and Comprehensive Income

	Three months ended March 31,		
(in $000s, except as noted)	**2019**	2018	% Change
		(restated) (2)	
Net (loss) income and comprehensive (loss) income attributable to:			
Equity holders	**$ (4,891)**	$ 6,574	-174%
Preferred dividends/distributions	**1,479**	1,479	-
Non-controlling interests	**320**	(2,324)	114%
Net (loss) income and comprehensive (loss) income	**$ (3,092)**	$ 5,729	-154%
Earnings per share: (1)			
Basic	**$ (0.46)**	$ 0.62	-174%
Diluted	**$ (0.46)**	$ 0.56	-182%

Notes:

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

(2) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

For Q1 2019, Mosaic recognized net loss and comprehensive loss of $3.1 million compared to net income and comprehensive income of $5.7 million in Q1 2018. Mosaic allocated income of $0.3 million (Q1 2018 – loss of $2.3 million) to NCI. 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 (defined herein) and NCI. For Q1 2019, basic and diluted loss per share were $0.46 (Q1 2018 - basic earnings per share $0.62 and diluted earnings per share $0.56).

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as noted)	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
		(restated) (1)	*(restated)* (1)	*(restated)* (1)
Revenue	$ 96,137	$ 116,586	$ 121,373	$ 91,054
Adjusted EBITDA	$ 7,219	$ 10,077	$ 14,223	$ 7,626
Net income (loss)	$ (3,064)	$ 3,036	$ 7,787	$ (686)
Net income (loss) attributable to equity holders	$ (4,891)	$ (864)	$ 4,019	$ (4,582)
Earnings (loss) / common share				
Basic	$ (0.46)	$ (0.08)	$ 0.38	$ (0.43)
Diluted	$ (0.46)	$ (0.08)	$ 0.34	$ (0.43)

(in $000s, except as noted)	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
	(restated) (1)			
Revenue	$ 67,962	$ 88,650	$ 95,656	$ 69,726
Adjusted EBITDA	$ 2,973	$ 5,196	$ 12,220	$ 5,350
Net income (loss)	$ 5,652	$ (9,509)	$ 8,013	$ 7,603
Net income (loss) attributable to equity holders	$ 6,574	$ (11,789)	$ 3,987	$ 5,019
Earnings (loss) / common share				
Basic	$ 0.62	$ (1.12)	$ 0.38	$ 0.48
Diluted	$ 0.56	$ (1.12)	$ 0.34	$ 0.40

Note:

(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*. For the periods prior to January 1, 2018, the amounts reflect the predecessor accounting method, IAS 17.

Certain of the Company's subsidiaries experience seasonal fluctuations in activity and financial performance. Furthermore, the timing of the acquisition of Circle 5 (November 2017) has impacted the quarterly results following the acquisition date.

In the fourth quarter of 2018, Mosaic realized a loss on disposal of $1.7 million while in the third quarter of 2018 recognized an impairment charge of $0.8 million and in the fourth quarter of 2017 realized an impairment loss of $3.8 million all which adversely impact net income and earnings per common share in the respective reporting periods.

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

(in $000s)	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Decrease (increase) to net income	$ 2,602	$ (205)	$ (4,147)	$ (1,540)

(in $000s)	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Decrease (increase) to net income	$ (8,983)	$ 4,336	$ (3,158)	$ (6,805)

LIQUIDITY

	Three months ended Mar 31,	
(in $000s)	**2019**	2018
		(restated) (1)
Net cash provided by (used in):		
Operating activities	**$ 7,732**	$ 9,657
Investing activities	**2,272**	(1,709)
Financing activities	**(8,415)**	(1,420)
Effect of foreign exchange on cash	**(30)**	-
Net increase (decrease) in cash	**$ 1,559**	$ 6,528

Note:

(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Operating Activities

In Q1 2019, the Company generated $7.7 million in cash from operating activities (Q1 2018 - $9.7 million). Cash generated from operating activities before non-cash working capital items was $5.2 million (Q1 2018 - $0.7 million).

Mosaic's subsidiaries have an aggregate of $37.1 million in available operating facilities of which $1.3 million has been drawn as of March 31, 2019. Furthermore, Mosaic has a $50.0 million revolving credit facility (the "**Credit Facility**") of which $35.0 million is available to support existing working capital requirements and $15.0 million is available, subject to completion of future acquisitions. As of March 31, 2019, $29.2 million was drawn on the facility.

As at March 31, 2019, Mosaic had working capital of $65.6 million (December 31, 2018 - $65.0 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 provided by investing activities was $2.3 million for the three months ended March 31, 2019. Net cash provided by included:

- The gross investment of $0.5 million in capital expenditures or $0.4 million, net of disposal proceeds as detailed below; and
- the receipt of $2.7 million in proceeds on assets classified as held for sale.

Capital Expenditures

For the three months ended March 31, 2019, Mosaic invested $0.5 million gross and $0.4 million net of 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)	Growth	Sustaining	**Total**
Business segment:			
Infrastructure	$ 188	$ 233	**$ 421**
Diversified	79	26	**105**
Energy	12	2	**14**
Corporate	-	3	**3**
	$ 279	$ 264	**543**
Proceeds on disposal of equipment			**(135)**
Capital expenditures, net of proceeds on disposal			**$ 408**

Growth expenditures within the Infrastructure segment were mostly related to assets to expand SECON's operating capacity. Growth expenditures within the Diversified segment primarily focus on expansion of Industrial Scaffolding's and Mackow's operating capacity.

Financing Activities

Net cash used in financing activities was $8.4 million for the three months ended March 31, 2019. Net cash used included:

- a draw of $0.5 million on operating facilities;
- the net draw of $1.8 million on the Credit Facility;
- the payment of $1.5 million on lease obligations;
- the payment of $4.9 million on notes payable;
- $1.1 million in dividends paid to the common share holders (see below);
- $1.5 million in distributions paid to the Preferred Securities holders (see below); and
- the payment of $1.8 million to NCIs.

Distributions and Dividends

Non-controlling Interests

NCIs consist of the capital contributions and accumulated earnings of the minority partners in subsidiaries of Mosaic, less distributions made to minority partners. During Q1 2019, net income of $0.3 million (Q1 2018 - $2.3 million loss) was allocated to NCIs and distributions of $1.8 million (Q1 2018 - $1.1 million) were paid to holders of the NCIs.

Preferred Security Distributions

Information regarding the distributions declared and paid to holders of Preferred Securities for fiscal 2019 and 2018 are set forth below.

(in $000s)	**2019**	2018
March	**$ 1,479**	$ 1,479
June	**-**	1,496
September	**-**	1,512
December	**-**	1,512
	$ 1,479	$ 5,999

Common Share Dividends

Information regarding dividends declared and paid to holders of common shares for fiscal 2019 and 2018 are set forth below.

	2019		2018	
(in $000s, except as noted)	**Per Share**	**Total**	Per Share	Total
January	**$ 0.035**	**$ 371**	$ 0.035	$ 371
February	**0.035**	**372**	0.035	371
March	**0.035**	**372**	0.035	372
April	-	-	0.035	371
May	-	-	0.035	371
June	-	-	0.035	372
July	-	-	0.035	372
August	-	-	0.035	372
September	-	-	0.035	371
October	-	-	0.035	371
November	-	-	0.035	372
December	-	-	0.035	372
	$ 0.105	**$ 1,115**	$ 0.420	$ 4,458

Mosaic currently intends to declare dividends of $0.42 per common share per annum. 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 $000s, except as noted)	**Jun 30, 2018**	**Sep 30, 2018**	**Dec 31, 2018**	**Mar 31, 2019**	**TTM 2019(2)**
Free Cash Flow(1)	**$ 577**	**$ 6,893**	**$ 3,747**	**$ 1,770**	**$ 12,987**
Preferred security distributions	**$ 1,496**	**$ 1,512**	**$ 1,512**	**$ 1,479**	$ **5,999**
Common share dividends	**1,115**	**1,115**	**1,115**	**1,115**	**4,460**
Total equity-based distributions	**$ 2,611**	**$ 2,627**	**$ 2,627**	**$ 2,595**	**$ 10,459**
Payout Ratios:					
Preferred Distribution(1)					**46%**
Combined Distribution(1)					**81%**

(in $000s, except as noted)	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	TTM 2018(2)
Free Cash Flow(1)	$ 1,426	$ 5,912	$ 1,257	$ (854)	$ 7,741
Preferred security distributions	$ 1,496	$ 1,512	$ 1,512	$ 1,479	$ 5,999
Common share dividends	1,111	1,115	1,114	1,113	4,453
Total equity-based distributions	$ 2,607	$ 2,627	$ 2,626	$ 2,592	$ 10,452
Payout Ratios:					
Preferred Distribution(1)					77%
Combined Distribution(1)					135%

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"*.
(2) Mosaic adopted IFRS 16 on January 1, 2019. This has impacted the prior period financial information and the method of calculating Free Cash Flow. Refer to *"Non-GAAP Measures"*.

Mosaic's method of calculating Free Cash Flow was amended in Q1 2019 to incorporate the impacts of adopting IFRS 16. The amendment adds Mosaic's share of lease obligation payments as a deduction to Adjusted EBITDA which under the previous accounting standard, IAS 17, would have been treated as an operating expense and already incorporated in Adjusted EBITDA. The comparative reporting periods used to calculate TTM in this MD&A have been restated to reflect the amended method of calculating Free Cash Flow.

Contractual Obligations

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

CAPITAL RESOURCES

At March 31, 2019, Mosaic had cash and cash equivalents of $16.3 million, working capital of $65.6 million and $56.6 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	**Mar 31, 2019**	Dec 31, 2018
Infrastructure						
Ambassador	Revolving demand	$ 3,000	AR & INV	AA	**$ -**	$ -
Bassi	Revolving demand	2,000	75% of AR	GSA & AA	**841**	-
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			**841**	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	**438**	-
		15,500			**438**	-
Total		**$ 37,100**			**$ 1,279**	**$** 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 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 March 31, 2019, $29.2 million (December 2018 - $27.4 million) was outstanding.

Notes Payable

Notes payable include vehicle loans, equipment loans, term loans, leasehold improvement loans and notes payable to holders of NCIs. By business segment, the following is a summary of the various notes and loans outstanding:

(in $000s, except as noted)	Facility Type	Term	Rate	Security	Balance Outstanding Mar 31, 2019	Balance Outstanding Dec 31, 2018 (restated) [1]
Infrastructure						
Bassi	VTB note	Nov 2019	5.5%	Bassi GSA & MG	**$ 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	**185**	215
SECON	Term loan	Apr 2022	3.2%	Mortgage	**658**	667
					8,176	8,215
Diversified						
Printing Unlimited	Term loan	Oct 2020	P+0.75%	Mortgage	**561**	564
Mackow	VTB loan	July 2019	5.0%	Mackow GSA	**1,191**	1,766
Industrial Scaffold	Promissory note	Jan 2021	5%	NA	**4,147**	6,221
					5,899	8,551
Real Estate						
FWPLP	Term loan	20 years	P+1.0%	Mortgage	**404**	408
FWPLP	Demand loan	20 years	P+1.0%	Mortgage	**-**	1,984
					404	2,392
All segments	Equipment & leasehold	< 5 years	< P+0.5%	GSA & FC	**2,413**	2,498
All segments	Unamortized discount				**(400)**	(486)
Liabilities associated with assets held for sale					**(404)**	(2,392)
Total notes payable					**16,088**	18,778
Current portion					**(7,141)**	(7,613)
Non-current portion					**$ 8,947**	**$ 11,165**

Notes:
(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.
"**VTB**" – vendor-take-back
"**GSA**" – general security agreement
"**MG**" – Mosaic guarantee
"**FC**" – first charge on specified assets

Leases

Leases include leases for office and shop space, computer hardware, furniture & fixtures, production & rental equipment and vehicles.

(in $000s)	Balance Outstanding Mar 31, 2019	Balance Outstanding Dec 31, 2018 (restated) [1]
Building leases	**$ 13,386**	$ 13,133
Computer hardware leases	**50**	58
Furniture & fixtures leases	**43**	27
Production & rental equipment leases	**4,254**	4,821
Vehicle leases	**2,682**	2,761
Total leases	**20,415**	20,800
Current portion	**(5,292)**	(5,486)
Non-current portion	**$ 15,123**	**$ 15,314**

Note:
(1) Mosaic adopted IFRS 16 on January 1, 2019 and applied the full retrospective approach whereby the prior period financial information has been restated. Refer to *"Changes in Accounting Policies"*.

Debentures

Mosaic has 50,000 debentures, with a face value of $1,000 (one thousand) each issued and outstanding (the "**Debentures**"). The Debentures bear 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 carrying value of the Debentures:

As at *(in $000s)*	**Mar 31, 2019**	Dec 31, 2018
Principal amount	**$ 50,000**	$ 50,000
Unamortized discount	**(2,381)**	(2,475)
Unamortized transaction costs	**(95)**	(101)
	$ 47,524	$ 47,424

Convertible Debentures

The Company has 13,124 (December 31, 2018 - 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 $000s)*	**Mar 31, 2019**	Dec 31, 2018
Debt component		
Principal amount	**$ 13,124**	$ 13,124
Less:		
Unamortized transaction costs	**(802)**	(854)
Equity component	**(944)**	(944)
Accumulated accretion expense	**727**	631
	$ 12,105	$ 11,957
Equity component		
Amount allocated to equity	**$ 944**	$ 944
Less:		
Allocated deferred financing fees and deferred taxes	**(101)**	(106)
	$ 843	$ 838

The Convertible Debentures mature on December 31, 2021. The following table summarizes the contractual rights on redemption or conversion.

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

Note:
"**CSP**" – common share price

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

Common Share Purchase Warrants

As of March 31, 2019, Mosaic had 17.0 million Warrants with a carrying value of $3.5 million (December 31, 2017 - $0.9 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.

As at *(in $000s)*		**Mar 31, 2019**		Dec 31, 2018
Principal amount	**$**	**20,000**	$	20,000
Unamortized transaction costs		**(339)**		(385)
	$	**19,661**	$	19,615

Non-Controlling Interest Put Options

The Company has entered into agreements with certain of its NCI 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 NCIs 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 NCI. Under terms of the limited partnership agreement, Industrial Scaffold redeemed the 25% NCI for $6.2 million in the form of a promissory note payable over three years in equal annual installments 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 five years at a notional aggregate fair value of $11.5 million using a discount rate of 10.0%. An increase in the deemed fair market value or a reduction in the discount rate would increase the put liability.

Equity

Equity decreased $5.8 million to $68.1 million at March 31, 2019 from $73.9 million at December 31, 2018. The decrease was mainly attributable to the net loss and comprehensive loss recognized year-to-date and the Preferred Securities distributions and common share dividends made in the period. Refer to *"Liquidity – Financing Activities – 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 May 14, 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)	10,614,973		N/A
Share options	724,462		N/A
Restricted security units	405,453		N/A
Warrants	17,026,106		N/A

Note:

(1) As at May 14, 2019, 282,654 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

NCIs were $51.1 million at March 31, 2019 compared to $51.6 million at December 31, 2018.

CAPITAL MANAGEMENT

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

Credit Facility

Under its Credit Facility, the Company is required to operate the business in normal course while maintaining a number of financial covenants which are measured quarterly. The definition of measurements used to calculate these financial covenants are in accordance with the lending agreement and are calculated based on the lender’s interpretation, which may not be equal to individual financial amounts. Mosaic was in compliance with the financial covenants under the Credit Facility as of March 31, 2019.

The following summarizes the key financial covenant requirements and compliance calculations as at March 31, 2019:

(in $000s, except as noted)	Requirement	Calculated	Compliant
Total Debt to Gross EBITDA	< 3.00	1.39	Yes
Net Funded Debt to EBITDA	< 3.00	1.48	Yes
Debt Service Coverage Ratio	> 1.50	2.27	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 $000s, except as noted)	**Mar 31, 2019**
Debt:	
Operating loans	**$ 1,279**
Credit facility	**29,237**
Notes payable (secured)	**16,512**
Total Debt	**47,028**
Less Mosaic’s share of cash	**(12,572)**
Net Funded Debt	**$ 34,456**
TTM EBITDA:	
Gross	**$ 34,598**
Mosaic share	**$ 24,739**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.00)	**1.39**
Net Funded Debt to Mosaic EBITDA (less than 3.00)	**1.48**

Debt Service Coverage Ratio

(in $000s, except as noted)	**Mar 31, 2019**
TTM Cash Flow	
EBITDA Mosaic Share	**$ 24,739**
Less:	
Mosaic's portion of unfunded sustaining capital expenditures	**(2,038)**
Mosaic's portion of cash taxes	**(564)**
Total TTM Cash Flow	**$ 22,137**
TTM Fixed Charges	
Interest expense	**$ 7,210**
Repayment of notes payable (secured)	**2,466**
Total TTM Debt Service	**$ 9,676**
Financial covenant:	
Debt Service Coverage Ratio (greater than 1.50)	**2.27**

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 March 31, 2019.

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 March 31, 2019.

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; lease obligations, Debentures; Convertible Debentures; and redeemable NCI	Amortized cost
Contingent consideration, risk management contracts, Warrants; and NCI 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 March 31, 2019, the Warrants were valued at $3.5 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 4.75 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 $11.5 million using a discount rate of 10.0%. An increase in the deemed fair market value or a reduction in the discount rate would increase the put liability.

Credit Risk

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

Mosaic is exposed to credit risk as an owner of businesses that extend credit to customers. 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 March 31, 2019 for the financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 1,279**	$ 1,344	$ 1,344	$ -	$ -	$ -
Trade, accrued, and other payables	**62,743**	62,743	62,743	-	-	-
Distributions payable	**1,479**	1,479	1,479	-	-	-
Risk management contracts	**151**	11,170	11,170	-	-	-
Credit facility	**29,237**	32,393	1,169	1,169	30,054	-
Liabilities associated with assets held for sale	**404**	404	404	-	-	-
Contingent consideration	**184**	207	207	-	-	-
Notes payable	**16,088**	16,777	7,639	7,710	497	931
Leases	**20,415**	23,460	6,157	4,883	4,002	8,418
Debentures	**47,524**	62,062	2,500	2,500	2,500	54,562
Convertible debentures	**12,105**	2,300	921	919	461	-
Common share purchase warrants	**3,518**	-	-	-	-	-
Redeemable non-controlling interest	**19,661**	22,800	1,400	1,400	20,000	-
Non-controlling interests put options	**11,545**	14,363	2,030	4,583	4,583	3,167
	$ 226,333	$ 251,502	$ 99,163	$ 23,164	$ 62,097	$ 67,078

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 March 31, 2019 is approximately $0.2 million (Q1 2018 - $0.1 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 March 31, 2019, Mosaic has no off-balance sheet arrangements, except as detailed under *"Liquidity – Contractual Obligations"*.

SUBSEQUENT EVENT

Subsequent to March 31, 2019, Mosaic sold one of its remaining real estate properties classified as held for sale. The property had a carrying value of $0.6 million and Mosaic realized net proceeds of $0.5 million. A portion of the net proceeds was used to retire the remaining $0.4 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.

Certain of Mosaic's subsidiaries lease office space from entities controlled by minority partners in Mosaic's subsidiaries. These leasing arrangements were made at normal commercial terms and are in the normal course of operations and recorded on an arm's length basis.

The following table summarizes the lease obligation from related parties:

(in $000s)		
Lease balance at January 1, 2018 *(restated)*	$	10,328
Principal repayments *(restated)*		(1,205)
Lease balance at December 31, 2018 *(restated)*		9,123
Principal repayments		(312)
Lease balance at March 31, 2019	$	8,811

Lease interest of $0.1 million was paid on these leases for the three months ending March 31, 2019 (March 31, 2018 – $0.1 million).

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

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. The critical accounting estimates and judgements are described in detail in Note 2 of Mosaic's annual audited consolidated financial statements for the years ended December 31, 2018 and 2017 and in the condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018.

BUSINESS RISKS AND UNCERTAINTIES

Mosaic and its subsidiaries are subject to a number of risks and uncertainties. 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. 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).

Mosaic has identified several significant risks in its most recent AIF under the heading *"Risk Factors"* and its MD&A for the year ended December 31, 2018 under the heading *"Business Risks and Uncertainties".* Mosaic's AIF and MD&A are 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 Standard

On January 1, 2019, Mosaic adopted IFRS 16 using the full retrospective approach where the prior period financial information has been restated.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees and requires a lessee to recognize a leased asset representing its right to direct use of the underlying asset as well as a lease obligation representing the Company's obligation to make future lease payment. Lessor accounting remains similar to the prior standard in which lessors classify leases as either finance or operating leases.

The cumulative effect of initially adopting IFRS 16 increased Mosaic's assets, liabilities, amortization, financing and other costs while reducing operating expenses. Cash payments associated with operating leases were previously presented under operating activities. On adoption of IFRS 16, the cashflows associated with lease payments are allocated between financing activities for the repayment of the principal liability and operating activities for the interest component. The overall impact to cashflow for Mosaic remains unchanged. Comparative information has been restated. See Note 3 of the condensed interim consolidated financial statements for the three months ended March 31, 2019 and 2018 for further information.

NON-GAAP MEASURES

Mosaic uses 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 non-recurring 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) NCIs share of Adjusted EBITDA;

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

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

(iv) Mosaic's share of sustaining capital expenditures (not financed under lease obligation); and

(v) Mosaic's share of lease obligation payments.

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 payments 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.

Mosaic's method of calculating Free Cash Flow was amended in Q1 2019 to incorporate the impacts of adopting IFRS 16. The amendment adds Mosaic's share of lease obligation payments as a deduction to Adjusted EBITDA which under the previous accounting standard, IAS 17, would have been treated as an operating expense and already incorporated in Adjusted EBITDA. The comparative reporting periods used to calculate TTM in this MD&A have been restated to reflect the amended method of calculating Free Cash Flow.

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 net (loss) income and comprehensive (loss) income:

(in $000s)	Three months ended March 31, 2019	2018
		(restated)
Net (loss) income and comprehensive (loss) income	**$ (3,092)**	$ 5,729
Add (deduct):		
Exchange difference on translating foreign operations	**28**	(77)
Provision for income taxes	**(1,019)**	(1,679)
Change in fair value	**2,220**	(9,919)
Share of joint venture loss	**18**	13
Foreign exchange loss (gain)	**285**	(220)
Net financing costs	**2,374**	2,542
Equity-based compensation	**220**	174
Gain on early termination of leases	**(28)**	(12)
Gain on disposal of equipment	**(66)**	(3)
Amortization:		
Intangible assets	**3,282**	3,381
Leased assets	**1,529**	1,427
Property, plant and equipment	**1,468**	1,617
Acquisition and financing costs	**-**	-
Adjusted EBITDA	**$ 7,219**	$ 2,973
Add (deduct):		
Non-controlling interest's share of Adjusted EBITDA	**(2,183)**	(1,048)
Mosaic's share of:		
Net cash interest expense	**(1,844)**	(1,209)
Current income tax expense	**(71)**	(187)
Sustaining capital expenditures	**(196)**	(364)
Lease payments	**(1,155)**	(1,019)
Free Cash Flow	**$ 1,770**	$ (854)

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 less lease obligation payments for the period, for each of the TTM periods ended March 31, 2019, yields payout ratios of 23% (March 31, 2018 - 36%). 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 less lease obligation payments for the period, the TTM periods ended March 31, 2019, yields payout ratios of 40% (March 31, 2018 - 62%). 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 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.

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