MOSAIC CAPITAL CORPORATION

Management's Discussion and Analysis

For the Three Months Ended March 31, 2020

"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, 2020, should be read in conjunction with Mosaic's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019, the audited consolidated financial statements for the years ended December 31, 2019 and 2018, the annual MD&A for the year ended December 31, 2019 and the annual information form ("**AIF**") for the year ended December 31, 2019. The three-month periods ended March 31, 2020 and 2019 are herein referred to as "**Q1**". This MD&A was prepared effective May 6, 2020.

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, 2019 and 2018 and Note 3 of the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2020 and 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.

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 $000s, except as noted)	**2020**	2019	% Change
CONTINUING OPERATIONS			
Revenue	**$ 78,516**	$ 84,732	-7%
Adjusted EBITDA (1)	**$ 5,677**	$ 6,420	-12%
Net income (loss) and comprehensive income (loss)	**$ 3,649**	$ (3,521)	204%
Free Cash Flow (1)	**$ 502**	$ 1,370	-63%
DISCONTINUED OPERATIONS			
Revenue	**$ -**	$ 11,381	NA
Adjusted EBITDA (1)	**$ -**	$ 799	NA
Net income and comprehensive income	**$ -**	$ 429	NA
Free Cash Flow (1)	**$ -**	$ 360	NA
AGGREGATE			
Revenue	**$ 78,516**	$ 96,113	-18%
Adjusted EBITDA (1)	**$ 5,677**	$ 7,219	-21%
per share	***$ 0.53***	*$ 0.68*	-21%
as a % of revenue	***7.23%***	*7.51%*	
Net income (loss) and comprehensive income (loss)	**$ 3,649**	$ (3,092)	218%
Net income (loss) attributable to equity holders	**$ 1,257**	$ (4,891)	126%
Free Cash Flow (1)	**$ 502**	$ 1,731	-71%
per share	***$ 0.05***	*$ 0.16*	*-71%*
Preferred securities distributions declared	**$ 1,496**	$ 1,479	1%
Common share dividends declared	**$ 1,116**	$ 1,115	-
per share	***$ 0.105***	*$ 0.105*	-
TTM Preferred Distribution Payout Ratio (1)	**42%**	45%	-7%
TTM Combined Payout Ratio (1)	**73%**	78%	-7%
Weighted avg. common shares outstanding	**10,621,420**	10,608,058	-

Note:

(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.

Financial Position

As at *(in $000s, except as noted)*		**March 31, 2020**		December 31, 2019
Cash and cash equivalents	**$**	**30,104**	$	**18,980**
Working capital	**$**	**47,343**	$	**56,327**
Total assets	**$**	**311,216**	$	**305,343**
Loans and borrowings	**$**	**122,163**	$	**115,005**
Liabilities exchangeable with equity	**$**	**22,849**	$	**25,664**
Shareholders' equity	**$**	**64,672**	$	**64,329**
Non-controlling interests	**$**	**41,741**	$	**41,730**
Common share and other securities outstanding:				
Common shares		**10,621,420**		**10,621,420**
Common share purchase warrants		**17,026,106**		**17,026,106**
Convertible debentures		**13,124**		**13,124**
Options and restricted share units		**979,390**		**979,390**

NATURE OF OPERATIONS

Through controlling ownership of its subsidiaries, Mosaic operates in three 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**
Industry Sectors	Construction, Agriculture, Natural Resources, Energy	Manufacturing, Natural Resources, Energy, Agriculture, Transportation	Energy Services
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

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, 2020, Mosaic:

- generated $78.5 million in revenue from continuing operations which, while 7% below last year's record setting level, represents the Company's second highest first quarter performance;

- generated Adjusted EBITDA from continuing operations of $5.7 million which, while 12% below last year's record setting level, represents the Company's second highest first quarter performance;

- reduced corporate overhead costs by 11% over the same period in 2019;

- provided dividends of $1.1 million to our shareholders;

- posted a trailing twelve-month Combined Payout Ratio of 73%, which represents an improvement from 78% as at March 31, 2019; and

- maintained a healthy balance sheet with $30.1 million in cash, $47.3 million in working capital and Total Debt to Gross EBITDA leverage of 1.13.

Subsequent to March 31, 2020, Mosaic:

- provided an operational update on April 8, 2020 that outlined the Company's two-pronged approach to manage liquidity amid the economic uncertainty caused by the on-going COVID-19 pandemic (the "**Pandemic**"). This approach incorporated the suspension of common share dividends and the engagement with the Company's lenders and financial partners regarding options to enhance near term liquidity. Additionally, as part of this engagement, the Company is negotiating revised terms with its lenders so that it has the necessary headroom in its financial covenants to operate through the uncertain future business environment.

OUTLOOK

Management is pleased with the Company's first quarter 2020 financial and operating results that met budgeted expectations despite being negatively impacted by Pandemic related influences in the final weeks of the quarter. In reaction to this challenge, Mosaic acted swiftly to reduce cost structures in each of its operating subsidiaries and at the corporate level that resulted in only a modest decline in profitability levels over the same period last year.

Progressing through the second quarter of 2020, the negative impacts of the Pandemic have increased, including the deferral of some project-related business opportunities, coordinated supply chain related production delays and a general moderation of activity-levels at certain of Mosaic's operating subsidiaries. In addition, certain of the Company's subsidiaries are also dealing with the significant decline in oil prices and flooding in Fort McMurray, Alberta, which may have a material impact on their operations. Partially offsetting these negative influences, Mosaic is experiencing areas of stability in certain subsidiary operations that operate in more rural, industrial-based settings. Management has acted swiftly to reduce cost structures, cut non-essential spending and maximize working capital efficiencies across the portfolio. Additionally, the Company believes it is eligible for certain of the Government's financial assistance programs which are expected to offset some of the negative financial impacts of the Pandemic and is currently working through eligibility, timing and magnitude of the various programs.

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 solid 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. While the Pandemic has resulted in extended timelines for due diligence and negotiations, the Company remains active in its pursuit of new acquisition opportunities.

RESULTS OF OPERATIONS

Revenue and Adjusted EBITDA

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Revenue	**$ 78,516**	$ 84,732	-7%
Operating expenses	**72,839**	78,312	-7%
Adjusted EBITDA (1)	**$ 5,677**	$ 6,420	-12%
as a % of revenue	***7.23%***	*7.58%*	

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

Revenue for Q1 2020 decreased 7% or $6.2 million to $78.5 million as compared to Q1 2019, driven by an overall decrease in activity levels within the Infrastructure and Energy business segments partially offset by increased activity within certain portfolio companies in the Diversified business segment. Adjusted EBITDA decreased 12% or $0.7 million to $5.7 million as compared to Q1 2019. The decline was predominantly driven by the decreased activity levels. The Adjusted EBITDA margin decreased 35-basis points in Q1 2020 as compared to the prior year period.

As discussed in the "*Outlook*", it is expected that the Pandemic will negatively impact, possibly materially, at least near-term activity levels and operating performance of all the Company's business segments. The individual portfolio companies within each business segment have been impacted to varying degrees depending on government-imposed restrictions for their operations (i.e. deemed non-essential) in the jurisdictions for where they operate, customer-driven changes in the requirement for the delivery of goods and services and implementation of Pandemic specific work-safe protocols to protect the active workforce.

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

(in $000s, except as noted)	Three months ended March 31, 2020	2019	% Change
Revenue:			
Infrastructure	**$ 47,968**	$ 55,135	-13%
Diversified	**27,667**	25,895	7%
Energy	**2,881**	3,702	-22%
Corporate	**-**	-	-
Total revenue	**$ 78,516**	$ 84,732	-7%
Adjusted EBITDA: (1)			
Infrastructure	**$ 3,340**	$ 3,592	-7%
Diversified	**3,241**	3,691	-12%
Energy	**301**	498	-40%
Corporate	**(1,205)**	(1,361)	11%
Total adjusted EBITDA	**$ 5,677**	$ 6,420	-12%
as a % of revenue	***7.23%***	*7.58%*	

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

(in $000s, except as noted)	Three months ended March 31, 2020	2019	% Change
Revenue	**$ 47,968**	$ 55,135	-13%
Operating expenses	**44,628**	51,543	-13%
Adjusted EBITDA (1)	**$ 3,340**	$ 3,592	-7%
as a % of revenue	***6.96%***	*6.51%*	

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

Revenue for the first quarter of 2020 decreased 13% or $7.2 million over Q1 2019. This was primarily due to lower activity levels at Bassi and to a lesser extent at Place-Crete. For Q1 2020, Adjusted EBITDA decreased 7% or $0.3 million over Q1 2019 resulting from decreased activity levels mentioned above. On a margin basis, Adjusted EBITDA increased 45-basis points as management instituted certain cost reductions in reaction to lower revenue.

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:

(in $000s, except as noted)	Three months ended March 31, 2020	2019	% Change
Revenue	**$ 27,667**	$ 25,895	7%
Operating expenses	**24,426**	22,204	10%
Adjusted EBITDA (1)	**$ 3,241**	$ 3,691	-12%
as a % of revenue	***11.71%***	*14.25%*	

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

Revenue for Q1 2020 increased 7% or $1.8 million over Q1 2019, largely driven by improved activity levels at Industrial Scaffold and to a lesser extent Circle 5. These gains were partially muted by weaker revenues at Mackow. Adjusted EBITDA for the current quarter decreased 12% or $0.5 million over Q1 2019. On a margin basis, Adjusted EBITDA weakened by 254-basis points over the same period last year, largely the result of client-driven project deadlines impacting workflow and margins at Circle 5.

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 $000s, except as noted)	**2020**	2019	% Change
Revenue	**$ 2,881**	$ 3,702	-22%
Operating expenses	**2,580**	3,204	-19%
Adjusted EBITDA (1)	**$ 301**	$ 498	-40%
as a % of revenue	***10.45%***	*13.45%*	

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

The Q1 2020 revenue decrease of 22% or $0.8 million was the result of the rapidly deteriorating energy market fundamentals and a resulting reduction in customer activity levels. Adjusted EBITDA decreased 40% or $0.2 million over Q1 2019 and Adjusted EBITDA margins weakened 300-basis points for reasons noted above.

Corporate

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Operating expenses	**$ 1,205**	$ 1,361	-11%
Adjusted EBITDA (1)	**$ (1,205)**	$ (1,361)	11%

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 and Energy 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. Corporate expenses in Q1 2020 were relative consistent with the prior year period.

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 March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Amortization expense:			
Property, plant and equipment	**$ 1,358**	$ 1,419	-4%
Leased assets	**1,629**	1,441	13%
Intangible assets	**1,911**	3,087	-38%
Total amortization expense	**$ 4,898**	$ 5,947	-18%

The variance in year-over-year amortization expense for Q1 2020 from Q1 2019 is reflective of the changes in the underlying asset basis.

Equity-based Compensation

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Equity-based compensation	**$ 197**	$ 220	-10%

Equity-based compensation of $0.2 million for Q1 2020 (Q1 2019 - $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

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Interest:			
Expense related to other debt instruments	**$ 1,533**	$ 1,702	-10%
Expense related to lease obligations	**258**	253	2%
Income on cash and cash equivalents	**(68)**	(36)	-89%
Accretion expense	**226**	299	-24%
Amortization of borrowing costs	**123**	144	-15%
Net finance costs	**$ 2,072**	$ 2,362	-12%
as a % of average debt outstanding	***6.33%***	*6.84%*	

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 5.47% for Q1 2020 (Q1 2019 – 5.66%) which is consistent with Mosaic's overall debt facilities.

Foreign Exchange (Gain) Loss

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Foreign exchange (gain) loss	**$ (1,384)**	$ 285	-586%

Certain of the Company's portfolio companies transact in United States dollars for certain sales and purchases. Foreign exchange (gain) loss is determined by the fluctuations in exchange rate between the Canadian and United States dollar. The gain of $1.4 million (Q1 2019 – $0.3 million loss) for the current quarter is a reflection of the Canadian dollar weakening (Q1 2019 – strengthening) compared to the United States dollar.

Change in Fair Value

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Common share purchase warrants	**$ (3,170)**	$ 2,602	-222%
NCI put options	**246**	221	11%
Contingent accounts receivable	**(50)**	-	NA
Risk management contracts	**332**	(603)	155%
Change in fair value	**$ (2,642)**	$ 2,220	-219%

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 gain of $3.2 million in Q1 2020 (Q1 2019 – loss $2.6 million), was driven by the change in the Company's common share market price since December 31, 2019, which changes the derivative liability's fair value with the offset being an charge to income.

A loss of $0.2 million, for Q1 2020 (Q1 2019 - $0.2 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 $0.1 million for Q1 2020 (Q1 2019 – $nil) was recognized with respect to contingent accounts receivable.

A loss of $0.3 million for Q1 2020 (Q1 2019 – gain of $0.6 million) was recognized with respect to foreign exchange forward contracts.

Provision for Income Tax

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Income (loss) before income taxes	**$ 2,625**	$ (4,537)	158%
Provision for income taxes	**$ (1,057)**	$ (1,044)	-1%
effective income tax rate	***-40.27%***	*-23.01%*	

Included in Q1 2020 was a current tax provision of $0.1 million (Q1 2019 - $0.1 million) offset by a deferred tax reduction of $1.1 million (Q1 2019 - $1.1 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.

Results of Discontinued Operations

On November 1, 2019, Mosaic sold its ownership interest in Ambassador to an unrelated third party for gross proceeds of $14.8 million. The Company recognized an after-tax gain of $6.7 million on this disposition as follows:

Proceeds	$	14,802
Closing costs		118
Net cash consideration		14,684
Working capital		3,294
Property, plant & equipment		689
Leased assets		673
Intangible assets		2,285
Goodwill		5,432
Lease obligations		(804)
Deferred taxes		(1,151)
Non-controlling interest		(2,448)
Net assets disposed		7,970
After-tax gain on sale	$	6,713

Ambassador was included in the Infrastructure business segment. Comparative period balances of the results of operations have been restated.

The following table provides the operating results for the discontinued operations:

	Three months ended March 31,		
(in $000s, except as noted)	**2020**	2019	% Change
Revenue	**$ -**	$ 11,381	NA
Operating expenses	-	10,582	NA
Adjusted EBITDA	**$ -**	$ 799	NA

Net Income and Comprehensive Income

	Three months ended March 31, ,		
(in $000s, except as noted)	**2020**	2019	% Change
Net income (loss) and comprehensive income loss attributable to:			
Equity holders from continuing operations	**$ 1,257**	$ (5,213)	124%
Equity holders from discontinued operations	-	322	NA
Preferred distributions	**1,496**	1,479	1%
Non-controlling interests from continuing operations	**896**	213	321%
Non-controlling interests from discontinued operations	-	107	NA
Net income (loss) and comprehensive income (loss)	**$ 3,649**	$ (3,092)	218%
Earnings per share: (1)			
Basic from continuing operations	**$ 0.12**	$ (0.49)	124%
Basic from discontinued operations	-	0.03	NA
Basic	**$ 0.12**	(0.46)	126%
Diluted from continuing operations	**0.07**	(0.49)	114%
Diluted from discontinued operations	-	0.03	NA
Diluted	**$ 0.07**	$ (0.46)	115%

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

For Q1 2020, Mosaic recognized net income and comprehensive income from continuing operations attributable to equity holders of $1.3 million compared to a loss of $5.2 million in Q1 2019. Mosaic allocated income from continuing operations of $0.9 million (2019 – $0.2 million) to non-controlling interests ("**NCIs**").

Pursuant to IFRS, earnings per share is calculated after giving effect to distributions on securities which rank in priority to common shares which include preferred securities and NCIs. For Q1 2019, basic earnings per share from continuing operations were $0.12 and diluted earnings per share of $0.07 (Q1 2019 – basic and diluted loss per share $0.49).

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as noted)	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Revenue	$ 78,516	$ 93,150	$ 111,453	$ 105,922
Adjusted EBITDA	$ 5,677	$ 8,120	$ 13,572	$ 8,555
Net income (loss) and comprehensive income (loss) from continuing operations	$ 3,649	$ (11,548)	$ 5,439	$ (1,101)
Net income and comprehensive income from discontinued operations	$ -	$ 6,996	$ 1,170	$ 838
Net (loss) income and comprehensive (loss) income	$ 3,649	$ (4,552)	$ 6,609	$ (263)
Net (loss) income attributable to equity holders from continuing operations	$ 1,257	$ (10,273)	$ 1,856	$ (3,439)
Net income attributable to equity holders from discontinued operations	$ -	$ 6,898	$ 877	$ 628
Net (loss) income attributable to equity holders	$ 1,257	$ (3,375)	$ 2,733	$ (2,811)
Earnings (loss) / common share(1)				
Basic from continuing operations	$ 0.12	$ (0.97)	$ 0.17	$ (0.32)
Basic from discontinued operations	$ -	$ 0.65	$ 0.08	$ 0.06
Basic	$ 0.12	$ (0.32)	$ 0.26	$ (0.26)
Diluted from continuing operations	$ 0.07	$ (0.97)	$ 0.15	$ (0.32)
Diluted from discontinued operations	$ -	$ 0.65	$ 0.07	$ 0.06
Diluted	$ 0.07	$ (0.32)	$ 0.22	$ (0.26)

(in $000s, except as noted)	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018
Revenue	$ 84,732	$ 108,857	$ 113,133	$ 84,413
Adjusted EBITDA	$ 6,420	$ 9,781	$ 14,473	$ 7,340
Net income (loss) and comprehensive income (loss) from continuing operations	$ (3,521)	$ 3,397	$ 8,248	$ (605)
Net income (loss) and comprehensive income (loss) from discontinued operations	$ 429	$ 38	$ (246)	$ (183)
Net income (loss) and comprehensive income (loss)	$ (3,092)	$ 3,435	$ 8,002	$ (788)
Net income (loss) attributable to equity holders from continuing operations	$ (5,213)	$ 119	$ 2,477	$ (3,086)
Net income (loss) attributable to equity holders from discontinued operations	$ 322	$ 28	$ (185)	$ (137)
Net income (loss) attributable to equity holders	$ (4,891)	$ 147	$ 2,292	$ (3,223)
Earnings (loss) / common share(1)				
Basic from continuing operations	$ (0.49)	$ 0.01	$ 0.23	$ (0.29)
Basic from discontinued operations	$ 0.03	$ 0.00	$ (0.02)	$ (0.01)
Basic	$ (0.46)	$ 0.01	$ 0.21	$ (0.30)
Diluted from continuing operations	$ (0.49)	$ 0.01	$ 0.20	$ (0.29)
Diluted from discontinued operations	$ 0.03	$ 0.00	$ (0.02)	$ (0.01)
Diluted	$ (0.46)	$ 0.01	$ 0.18	$ (0.30)

Certain of the Company's subsidiaries experience seasonal fluctuations in activity and financial performance. In the fourth quarter of 2019, Mosaic recognized an impairment charge of $13.9 million (in the third quarter of 2018, Mosaic recognized an impairment charge of $0.8 million and in the fourth quarter of 2018 realized a loss on disposal of $1.7 million) all which adversely impact the net income and earnings per common share in the respective reporting period. Furthermore in the fourth quarter of 2019, the Company sold its ownership of Ambassador realizing a net gain of $6.7 million.

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

(in $000s)	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Decrease (increase) to net income	$ (3,170)	$ (117)	$ (678)	$ 457

(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)

LIQUIDITY

	Three months ended Mar 31,	
(in $000s)	**2020**	2019
Net cash provided by (used in):		
Operating activities	**$ 8,994**	$ 7,732
Investing activities	**(516)**	284
Financing activities	**2,542**	(6,427)
Effect of foreign exchange on cash	**104**	(30)
Net increase (decrease) in cash	**$ 11,124**	$ 1,559

Operating Activities

In Q1 2020, the Company generated $9.0 million in cash from operating activities (Q1 2019 - $7.7 million). Cash generated from operating activities before non-cash working capital items was $3.9 million (Q1 2019 - $4.4 million).

As at March 31, 2020, the Company had cash of $30.1 million (December 31, 2019 - $19.0 million) on hand, $47.3 million (December 31, 2019 - $56.3 million) in positive working capital, $25.3 million (December 31, 2019 - $38.5 million) available on it's Credit Facility (defined herein) and approximately $17.7 million (December 31, 2019 - $21.8 million) available on it's subsidiary-level operating credit facilities. Management believes that the current working capital along with the existing credit facilities, subject to resolution of items outlined under "*Capital Management – Credit Facility*", are sufficient to support current operating activities.

Investing Activities

Net cash used in investing activities was $0.5 million for the three months ended March 31, 2020. Net cash used included:

- The gross investment of $1.1 million in capital expenditures or $1.0 million, net of disposal proceeds as detailed below; and
- the receipt of $0.1 million in distributions from joint venture.

Capital Expenditures

For the three months ended March 31, 2020, Mosaic invested $1.1 million gross and $1.0 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	$ 72	$ 397	**$ 469**
Diversified	354	227	**581**
Energy	-	48	**48**
	$ 426	$ 668	**1,098**
Proceeds on disposal of equipment			**(102)**
Capital expenditures, net of proceeds on disposal			**$ 996**

Growth expenditures within the Diversified segment primarily focus on expansion of Circle 5's operating capacity. Given the uncertainty created by the Pandemic, the Company has suspended all future capital expenditures except for those of an urgent near-term nature.

Financing Activities

Net cash provided by financing activities was $2.5 million for the three months ended March 31, 2020. Net cash used included:

- a draw of $0.3 million on operating facilities;
- the net draw of $13.2 million on the Credit Facility (defined herein);
- the payment of $1.6 million on lease obligations;
- the payment of $6.8 million on notes payable;
- $1.1 million in dividends paid to the common shareholders (see below);

- $1.5 million in distributions paid to the Preferred Securities holders (see below); and
- the payment of $0.9 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 2020, net income of $0.9 million (Q1 2019 - $0.3 million) was allocated to NCIs and distributions of $0.9 million (Q1 2019 - $0.9 million) were paid to holders of the NCIs.

Given the uncertainty created by the Pandemic and its impact on cash flows, the Company does not intend on taking distributions from its subsidiaries in the near-term to enhance liquidity at the subsidiary level.

Preferred Security Distributions

Information regarding the distributions declared and paid to holders of Preferred Securities for fiscal 2020 and 2019 are set forth below.

(in $000s)	**2020**	2019
March	**$ 1,496**	$ 1,479
June	**-**	1,497
September	**-**	1,512
December	**-**	1,512
	$ 1,496	$ 6,000

Common Share Dividends

Information regarding dividends declared and paid to holders of common shares for fiscal 2020 and 2019 are set forth below.

	2020		2019	
(in $000s, except as noted)	**Per Share**	**Total**	Per Share	Total
January	**$ 0.035**	**$ 372**	$ 0.035	$ 371
February	**0.035**	**372**	0.035	372
March	**0.035**	**372**	0.035	372
April	**-**	**-**	0.035	376
May	**-**	**-**	0.035	376
June	**-**	**-**	0.035	376
July	**-**	**-**	0.035	375
August	**-**	**-**	0.035	375
September	**-**	**-**	0.035	375
October	**-**	**-**	0.035	375
November	**-**	**-**	0.035	376
December	**-**	**-**	0.035	376
	$ 0.105	**$ 1,116**	$ 0.420	$ 4,495

Given the uncertainty created by the Pandemic and its impact on cash flows, Mosaic suspended its common share cash dividend, effective for the April 2020 period, in order to preserve cash on hand. The impact is $1.1 million quarterly or $4.5 million annually.

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, 2019		Sep 30, 2019		Dec 31, 2019		Mar 31, 2020		TTM 2020
Free Cash Flow[(1)]	$	3,550	$	8,032	$	2,402	$	502	$	14,486
Preferred security distributions	$	1,497	$	1,512	$	1,512	$	1,496	$	6,017
Common share dividends		1,128		1,125		1,127		1,116		4,496
Total equity-based distributions	$	2,625	$	2,637	$	2,639	$	2,612	$	10,513
Payout Ratios:										
Preferred Distribution[(1)]										42%
Combined Distribution[(1)]										73%

(in $000s, except as noted)		Jun 30, 2018		Sep 30, 2018		Dec 31, 2018		Mar 31, 2019		TTM 2019
Free Cash Flow[(1)]	$	804	$	6,994	$	3,886	$	1,731	$	13,415
Preferred security distributions	$	1,497	$	1,512	$	1,512	$	1,479	$	6,000
Common share dividends		1,115		1,115		1,115		1,115		4,460
Total equity-based distributions	$	2,612	$	2,627	$	2,627	$	2,594	$	10,460
Payout Ratios:										
Preferred Distribution[(1)]										45%
Combined Distribution[(1)]										78%

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

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. As part of normal ongoing operations, it is possible that Mosaic and its subsidiaries could become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or financial performance of Mosaic. In addition, Mosaic or its subsidiaries may 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, the nature of which prevents Mosaic from making a reasonable estimate of the maximum potential amounts that may be required to be paid.

CAPITAL RESOURCES

At March 31, 2020, Mosaic had cash and cash equivalents of $30.1 million (December 31, 2019 - $19.0 million), working capital of $47.3 million (December 31, 2019 - $56.3 million), $25.3 million (December 31, 2019 - $38.5 million) available on it's Credit Facility (defined herein) and approximately $17.7 million (December 31, 2019 - $21.8 million) available on it's subsidiary-level operating credit facilities. The Company is in compliance with financial covenants contained within all of its loans and borrowings.

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	Gross Availability	Restrictions to Availabilty	Security	**Mar 31, 2020**	Dec 31, 2019
Infrastructure						
Bassi	Revolving demand	$ NA[1]	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	8,300	75% of AR	GSA & AA	**102**	-
SECON	5-year term	4,000	CAPEX	GSA & AA	**-**	-
		18,100			**102**	-
Diversified						
Circle 5	Revolving demand	6,000	AR & INV	GSA	**1,728**	1,507
Mackow	Revolving demand	3,000	AR & INV	GSA	**-**	-
Industrial Scaffold	Revolving term	3,000[2]	75% AR	GSA & AA	**23**	-
		12,000			**1,751**	-
Total		**$ 30,100**			**$ 1,853**	$ 1,507

Notes:

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

(1) At March 31, 2020, no operating facility was available as the Tangible Net Worth of Bassi was below the minimum threshold. The facility has a limit of $2,000 from Feb – June and $3,000 from July to January each year. Although Bassi's operating facility availability is currently nil, Bassi has adequate working capital on hand, along with credit facilities at Mosaic, to support ongoing operations.

(2) Expands from $3,000 to $7,500 for May 1 to December 31 each year.

As of March 31, 2020, approximately $17.7 million (December 31, 2019 - $21.8 million) in aggregate was available, of which $1.9 million (December 31, 2019 - $1.5 million) had been utilized.

Credit Facility

Mosaic has a $50.0 million revolving credit facility agreement with a Canadian financial institution (the "**Credit Facility**") bearing interest at rates ranging from prime plus 0.50% - 1.50%.

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, 2020, $24.8 million (December 31, 2019 - $11.5 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, 2020**	Balance Outstanding Dec 31, 2019 *(restated)* [1]
Infrastructure						
Cedar	VTB note	Apr 2020	5.0%	Cedar GSA	$ -	$ 4,333
Place-Crete	Promissory note	Jan 2020	5.0%	Place-Crete GSA	-	46
SECON	Term loan	Apr 2022	3.2%	Mortgage	**619**	629
					619	5,008
Diversified						
Printing Unlimited	Term loan	Oct 2020	P+0.75%	Mortgage	**548**	551
Industrial Scaffold	Promissory note	Jan 2021	5%	NA	**2,074**	4,147
					2,622	4,698
All segments	Equipment & leasehold	< 5 years	< P+0.5%	GSA & FC	**4,225**	3,722
All segments	Unamortized discount				**(72)**	(134)
Total notes payable					**7,394**	13,294
Current portion					**(3,869)**	(8,096)
Non-current portion					**$ 3,525**	**$ 5,198**

Notes:
"**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 $000s)	Balance Outstanding **Mar 31, 2020**	Balance Outstanding Dec 31, 2019
Building leases	**$ 13,931**	$ 14,435
Computer hardware leases	**85**	100
Furniture & fixtures leases	**31**	24
Production & rental equipment leases	**3,667**	3,787
Vehicle leases	**2,619**	2,673
Total leases	**20,333**	21,019
Current portion	**(5,809)**	(5,752)
Non-current portion	**$ 14,524**	**$ 15,267**

Debentures

Mosaic has 50,000 Debentures, with a face value of $1,000 (one thousand) each issued and outstanding. The Debentures bear interest at 5%, payable quarterly, mature on January 26, 2024, are not redeemable before maturity, and 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 $000s)*	**Mar 31, 2020**	Dec 31, 2019
Principal amount	**$ 50,000**	$ 50,000
Unamortized discount	**(1,937)**	(2,047)
Unamortized transaction costs	**(76)**	(80)
	$ 47,987	$ 47,873

Convertible Debentures

The Company has 13,124 (December 31, 2019 - 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 $000s)*	**Mar 31, 2020**	Dec 31, 2019
Debt component		
Principal amount	**$ 13,124**	$ 13,124
Less:		
Unamortized transaction costs	**(592)**	**(644)**
Equity component	**(944)**	**(944)**
Accumulated accretion expense	**781**	**725**
	$ 12,369	$ **12,261**
Equity component		
Amount allocated to equity	**$ 944**	$ **944**
Less:		
Allocated deferred financing fees and deferred taxes	**(80)**	**(85)**
	$ 864	$ **859**

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, 2020, Mosaic had 17.0 million Warrants with a carrying value of $11,000 (eleven thousand) (December 31, 2019- $3.2 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

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 $000s)*	**Mar 31, 2020**	Dec 31, 2019
Principal amount	**$ 20,000**	$ 20,000
Unamortized transaction costs	**(154)**	(200)
	$ 19,846	$ 19,800

Mosaic has initiated discussions with the unit holders regarding a renewal or extension.

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 December 31, 2020 and December 31, 2023. Upon the occurrence of certain unusual events, the put and call option exercise periods are accelerated.

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 increased $0.3 million to $64.7 million at March 31, 2020 from $64.3 million at December 31, 2019. The increase was mainly attributable to the net income and comprehensive income realized, offset by 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 6, 2020, 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)	10,705,665		N/A
Share options	590,824		N/A
Restricted security units	633,227		N/A
Warrants	17,026,106		N/A

Note:
(1) As at March 31, 2020, 282,656 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 $41.7 million at March 31, 2020 compared to $41.7 million at December 31, 2019. This is the result of $0.9 million in distributions paid to NCIs offset by $0.8 million in net income and comprehensive income realized.

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.

As at March 31, 2020, the Company is in compliance with financial covenants contained within all of its loans and borrowings. However, the impact of Pandemic has created significant future business uncertainties making it not possible to estimate reasonably if the Company will remain in compliance with these financial covenants over the next 12 months. The Company is negotiating revised terms with its lenders so that it has the necessary headroom to operate through these uncertainties. There can be no assurances that the Company's lenders will agree to revising the terms of the loans and borrowings on a basis acceptable to the Company.

The following summarizes the key financial covenant requirements and compliance calculations as at March 31, 2020:

(in $000s, except as noted)	Requirement	Calculated	Compliant
Total Debt to Gross EBITDA	< 3.00	1.13	Yes
Net Funded Debt to EBITDA	< 3.00	0.50	Yes
Debt Service Coverage Ratio	> 1.50	1.62	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 $000s, except as noted)	**Mar 31, 2020**
Debt:	
Operating loans	**$ 1,853**
Credit facility	**24,750**
Notes payable (secured)	**7,978**
Total Debt	**34,581**
Less Mosaic's share of cash	**(24,221)**
Net Funded Debt	**$ 10,360**
TTM EBITDA:	
Gross	**$ 30,497**
Mosaic share	**$ 20,721**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.00)	**1.13**
Net Funded Debt to Mosaic EBITDA (less than 3.00)	**0.50**

Debt Service Coverage Ratio

(in $000s, except as noted)	**Mar 31, 2020**
TTM Cash Flow	
EBITDA Mosaic Share	**$ 20,721**
Less:	
Mosaic's portion of unfunded sustaining capital expenditures	**(1,951)**
Mosaic's portion of cash taxes	**(315)**
Total TTM Cash Flow	**$ 18,455**
TTM Fixed Charges	
Interest expense	**$ 6,946**
Repayment of notes payable (secured)	**4,458**
Total TTM Debt Service	**$ 11,404**
Financial covenant:	
Debt Service Coverage Ratio (greater than 1.50)	**1.62**

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, 2020, with the exception of Bassi. Refer to "*Loans and Borrowings – Operating Facilities*" .

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					
Place-Crete	At any time	N/A	N/A	> $4.0 million	Yes
Bassi	At any time	N/A	N/A	> $3.0 million	No
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

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; accrued contract revenue	Amortized cost
Operating loans; trade, accrued and other payables; distributions payable; income taxes payable; deferred contract revenue; Credit Facility; notes payable; lease obligations, Debentures; Convertible Debentures; and redeemable NCI	Amortized cost
Contingent accounts receivable, 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, 2020, the Warrants were valued at $11,000 (eleven thousand) 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 3.75 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 $10.5 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. The impact of the Pandemic has potentially increased this risk from exposure to customer liquidity risks. 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. The Company is subject to a concentration of credit risk as 23.9% (December 31, 2019 – 20.3%) of trade receivables is from its three largest customers 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 the Pandemic, commodity price fluctuations and general economic conditions. The table below summarizes the future undiscounted contractual cash flow requirements as at March 31, 2020 for the financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 1,853**	$ 1,946	$ 1,946	$ -	$ -	$ -
Trade, accrued, and other payables	**53,108**	53,108	53,108	-	-	-
Distributions payable	**1,496**	1,496	1,496	-	-	-
Credit facility	**24,750**	27,720	990	990	25,740	-
Notes payable	**7,394**	9,258	4,134	1,282	1,465	2,377
Lease obligations	**20,333**	23,108	6,650	5,272	3,143	8,043
Debentures	**47,987**	59,562	2,500	2,500	2,500	52,062
Convertible debentures	**12,369**	1,382	463	919	-	-
Common share purchase warrants	**11**	-	-	-	-	-
Redeemable non-controlling Interest	**19,846**	21,400	21,400	-	-	-
Non-controlling interests put options	**10,469**	12,332	1,583	7,583	1,583	1,583
	$ 199,616	$ 211,312	$ 94,270	$ 18,546	$ 34,431	$ 64,065

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 crosscurrency 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, 2020 is approximately $0.2 million (Q1 2019 - $0.2 million). The Company's notes payable bear a fixed interest rates, hence are not exposed to interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2020, Mosaic has no off-balance sheet arrangements, except as detailed under *"Liquidity – Contractual Obligations"*.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the normal course of operations and are recorded on an arms-length basis. No amounts were due from or payable to related parties as at March 31, 2020.

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, 2019 and 2018 and in the condensed interim consolidated financial statements for the three months ended March 31, 2020 and 2019.

The ability of the Company to continue as a going concern and realize the carrying value of its assets and discharge its liabilities when due, is dependent on, among other things, the duration of the Pandemic, the Company's operational performance during the Pandemic, terms of covenants and repayment obligations with it's lenders, and the successful navigation of the Company through the challenges that have surfaced relating to the Pandemic. Management believes that the regular payment of liabilities will be met out of cash, operating cash flows and available credit facilities. If, for any reason, the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values to discharge liabilities in the ordinary course of business at the amount stated in the condensed interim consolidate financial statements.

SUBSEQUENT EVENTS

Common share dividend policy

On April 8, 2020, the Company indefinitely suspended its common share dividend policy.

Printing Unlimited

As a result of the severe flooding in Fort McMurray, Alberta, Mosaic's subsidiary Printing Unlimited's physical operations stopped on April 27, 2020 and remain closed as of May 6, 2020. Based on indirect evidence, we believe the premises which houses Printing Unlimited's operational assets has suffered significant damage, however the extent of damage to equipment and premises is not known at this time.

BUSINESS RISKS AND UNCERTAINTIES

Mosaic and its subsidiaries are subject to a number of risks and uncertainties including, without limitation risks and uncertainties related to the Pandemic and its effect on their respective operations. 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, 2019 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.

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 income (loss) and comprehensive income (loss) from continuing operations:

(in $000s)	Three months ended March 31, 2020	2019
Net income (loss) and comprehensive income (loss) from continuing operations	**$ 3,649**	$ (3,521)
Add (deduct):		
Exchange difference on translating foreign operations	**33**	28
Provision for income taxes	**(1,057)**	(1,044)
Change in fair value	**(2,642)**	2,220
Share of joint venture (income) loss	**(58)**	18
Foreign exchange (gain) loss	**(1,384)**	285
Net financing costs	**2,072**	2,362
Equity-based compensation	**197**	220
Gain on early termination of leases	**(48)**	(28)
Loss (gain) on disposal of equipment	**17**	(67)
Amortization:		
Intangible assets	**1,911**	3,087
Property, plant and equipment	**1,358**	1,419
Leased assets	**1,629**	1,441
Adjusted EBITDA	**$ 5,677**	$ 6,420
Add (deduct):		
Non-controlling interest's share of Adjusted EBITDA	**(1,705)**	(2,014)
Mosaic's share of:		
Net cash interest expense	**(1,660)**	(1,669)
Current income tax expense	**(56)**	(70)
Sustaining capital expenditures	**(490)**	(158)
Lease payments	**(1,264)**	(1,139)
Free Cash Flow	**$ 502**	$ 1,370

The following tables reconcile both Adjusted EBITDA and Free Cash Flow to net income (loss) and comprehensive income (loss) from discontinued operations:

(in $000s)	Three months ended March 31, **2020**	2019
Net income and comprehensive income from discontinued operations	$ -	$ 429
Add (deduct):		
Provision for income taxes	-	25
Net financing costs	-	12
Loss on disposal of equipment	-	1
Amortization:		
Intangible assets	-	195
Property, plant and equipment	-	49
Leased assets	-	88
Adjusted EBITDA	$ -	$ 798
Add (deduct):		
Non-controlling interest's share of Adjusted EBITDA	-	(200)
Mosaic's share of:		
Net cash interest expense	-	(170)
Lease payments	-	(69)
Free Cash Flow	$ -	$ 360

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, 2020, yields payout ratios of 49% (March 31, 2019 - 33%). 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, 2020, yields payout ratios of 85% (March 31, 2019 - 59%). 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:

- Mosaic's ability to manage the impact of the Pandemic and its impact on its operations;
- the business strategy and objectives of Mosaic;
- 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:

- the Pandemic or other public health crises, epidemics, pandemics or outbreaks of new infectious diseases or viruses;
- 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.