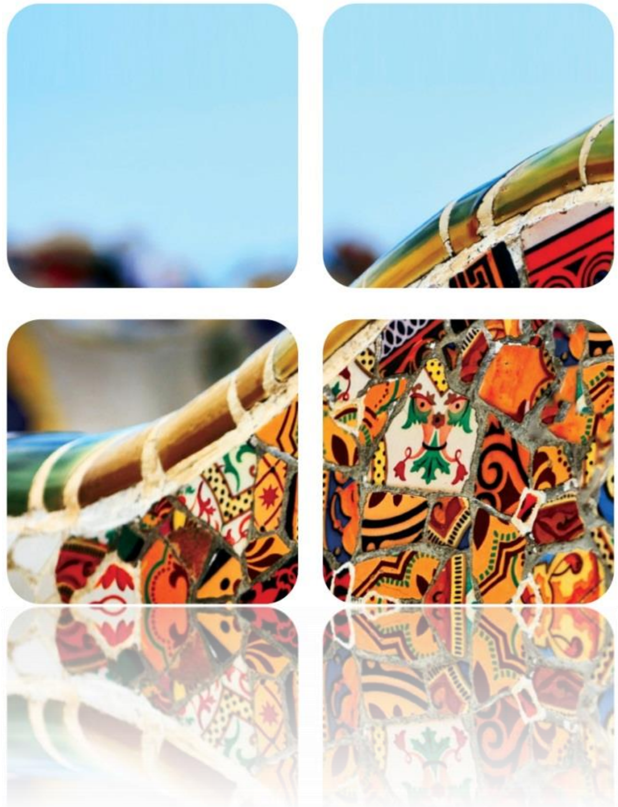
MOSAIC CAPITAL CORPORATION



Management's Discussion and Analysis
For the Three and Six Months ended June 30, 2020

"Growth through sustainable cash flow"

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INTRODUCTION

This management's discussion and analysis ("**MD&A**") for Mosaic Capital Corporation's ("**Mosaic**" or the "**Company**") financial condition, results of operations and cash flows for the three and six months ended June 30, 2020 should be read in conjunction with the condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019, the audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the annual information form ("**AIF**") for the year ended December 31, 2019. The three-month periods ended June 30, 2020 and 2019 are herein referred to as "**Q2**". The financial statements have been prepared in Canadian dollars, in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A was prepared effective August 5, 2020.

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 Annual Information Forum.

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

During Q2 2020, the Company implemented a plan to dispose of its interest in Remote Waste LP ("**Remote Waste**") and on November 1, 2019, Mosaic sold its ownership interest in Ambassador Mechanical LP ("**Ambassador**"). As a result, the financial impacts of Remote Waste and Ambassador have been reclassified as discontinued operations. The following table summarizes Mosaic's financial results from both continuing and discontinued operations and the aggregate thereof.

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
CONTINUING OPERATIONS						
Revenue	**$ 69,702**	$ 103,086	-32%	**$ 145,738**	$ 184,378	-21%
Adjusted EBITDA (1)	**$ 12,347**	$ 8,424	47%	**$ 17,782**	$ 14,231	25%
Net loss and comprehensive loss	**$ (19,320)**	$ (782)	-2,371%	**$ (15,342)**	$ (4,581)	-235%
Free Cash Flow (1)	**$ 5,541**	$ 2,727	103%	**$ 6,077**	$ 3,483	74%
DISCONTINUED OPERATIONS						
Revenue	**$ 223**	$ 13,768	-98%	**$ 2,703**	$ 28,584	-91%
Adjusted EBITDA (1)	**$ (753)**	$ 1,369	-155%	**$ (510)**	$ 2,782	-118%
Net (loss) income and comprehensive (loss) income	**$ (4,230)**	$ 519	-916%	**$ (4,558)**	$ 1,226	-471%
Free Cash Flow (1)	**$ (851)**	$ 823	-203%	**$ (885)**	$ 1,798	-149%
AGGREGATE						
Revenue	**$ 69,925**	$ 116,854	-40%	**$ 148,441**	$ 212,962	-32%
Adjusted EBITDA (1)	**$ 11,594**	$ 9,793	18%	**$ 17,272**	$ 17,013	5%
per share	***$ 1.08***	*$ 0.92*	*17%*	***$ 1.62***	*$ 1.60*	*4%*
as a % of revenue	***16.58%***	*8.38%*		***11.64%***	*7.99%*	
Net loss and comprehensive loss	**$ (23,550)**	$ (263)	-8,844%	**$ (19,900)**	$ (3,355)	-357%
Net loss attributable to common equity holders	**$ (21,860)**	$ (2,811)	-678%	**$ (20,602)**	$ (7,702)	-111%
Free Cash Flow (1)	**$ 4,690**	$ 3,550	32%	**$ 5,192**	$ 5,281	15%
per share	***$ 0.44***	*$ 0.33*	*31%*	***$ 0.49***	*$ 0.50*	*15%*
Preferred securities distributions declared	**$ 1,496**	$ 1,496	-	**$ 2,992**	$ 2,975	1%
Common share dividends declared	**$ -**	$ 1,128	-100%	**$ 1,126**	$ 2,242	-50%
per share	***$ -***	*$ 0.105*	*-100%*	***$ 0.105***	*$ 0.210*	*-50%*
TTM Preferred Distribution Payout Ratio (1)				**39%**	37%	4%
TTM Combined Payout Ratio (1)				**60%**	65%	-7%
Weighted avg. common shares outstanding	**10,704,739**	10,617,235	-	**10,663,310**	10,612,672	-

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 $000s, except as noted)*	**June 30, 2020**	December 31, 2019
Cash and cash equivalents	**$ 34,443**	$ 18,980
Working capital	**$ 43,136**	$ 56,327
Total assets	**$ 268,839**	$ 305,343
Loans and borrowings	**$ 119,134**	$ 115,005
Liabilities exchangeable with equity	**$ 23,297**	$ 25,664
Shareholders' equity	**$ 42,956**	$ 64,329
Non-controlling interests	**$ 37,221**	$ 41,730
Common share and other securities outstanding:		
Common shares	**10,705,665**	10,621,420
Common share purchase warrants	**17,026,106**	17,026,106
Convertible debentures	**13,124**	13,124
Options and restricted share units	**1,213,740**	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	• cathodic protection

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.

SECOND QUARTER 2020 HIGHLIGHTS

For the three months ended June 30, 2020, Mosaic:

- implemented an action plan in response to the COVID-19 pandemic ("**Pandemic**") that included initiatives to:
    - increase working capital efficiencies across Mosaic's portfolio of companies;
    - reduce overall cost structures and capital spending levels;
    - access the Canada Emergency Wage Subsidy ("**CEWS**") as implemented by the federal government;
    - suspend common share dividends; and
    - engage with the Company's lenders and financial partners to ensure appropriate liquidity levels and access to capital.
- generated $69.7 million in revenue from continuing operations which was 32% below the same period in 2019 largely due to the negative influences of the Pandemic;
- generated Adjusted EBITDA from continuing operations of $12.3 million which exceeded the same period last year by 47% due to solid performances at certain portfolio companies and the receipt of CEWS funds;
- reduced corporate overhead costs by 12% over the same period in 2019;

- posted a trailing twelve-month Combined Payout Ratio of 60%. This represents an improvement from 73% as at March 31, 2020 and is the results of the combined impact from growth in Free Cash Flow and the Company's decision to suspend common share dividends in reaction to the economic uncertainty caused by the Pandemic;

- maintained a healthy balance sheet with $34.4 million in cash and $43.1 million in working capital. Mosaic was in compliance with all financial covenants highlighted by Total Debt to Gross EBITDA leverage of 1.27;

- incurred a $27.5 million impairment of goodwill and intangible assets related to certain portfolio companies that have been impacted by the Pandemic and depressed Energy sector fundamentals; and

- decided to divest its ownership interest in Remote Waste to reduce further cash flow losses from the operating subsidiary.

Subsequent to June 30, 2020, Mosaic:

- reached an agreement with it's secured lender to revise certain terms related to its $50 million revolving credit facility that included an extension of its maturity date to May 31, 2023 and a relaxation of financial covenants designed to provide additional flexibility, if it should be required, during Pandemic related uncertainty.

OUTLOOK

Management remains focused on the Company's on-going plan to deal with the evolving nature and impact of the Pandemic. Mosaic's second quarter 2020 financial results reflect constrained operating conditions as large parts of the economy were essentially halted in mid-March with widespread effects related to the Pandemic. Our individual portfolio companies within each business segment were impacted to varying degrees depending on government-imposed restrictions for their operations 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. Partially offsetting this, certain portfolio companies were only minimally affected and delivered results that were consistent with the same period last year.

The federal government implemented several programs to support companies and mitigate the financial impact the Pandemic is having on their operations. To date, Mosaic has been eligible for the CEWS program which commenced on March 15, 2020. Importantly, because Mosaic qualified to receive CEWS funds, the Company was able to maintain staffing levels through this difficult period and began to ramp-up activity levels in response to increasing customer demand in the final weeks of the second quarter.

Moving into the third quarter of 2020, the negative operational influences of Pandemic continue to wane for most of our operating subsidiaries evidenced by increasing activity levels and new business inquiries. Unfortunately, the Pandemic compounded the already severely challenged energy sector fundamentals, which led to the Company's decision to divest the operations of Remote Waste. With the exception of this operating subsidiary, management believes the remainder of portfolio operations are positioned to continue on a path to more normal activity and profitability levels.

Furthermore, on July 27, 2020, the federal government passed legislation extending the length and increasing the breadth of the CEWS program to November 21, 2020, which Mosaic believes it will likely continue to be eligible for. The magnitude of future subsidies is not determinable with relative certainty as it is dependent on the percentage of revenue decline experienced as compared to the prior year or period and employee wages incurred.

Mosaic's long-term 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 from Continuing Operations

	Three months ended June 30,					Six months ended June 30,				
(in $000s, except as noted)		**2020**		2019	% Change		**2020**		2019	% Change
Revenue	**$**	**69,702**	$	103,086	-32%	**$**	**145,738**	$	184,378	-21%
Operating expenses		**57,355**		94,662	-39%		**127,956**		170,147	-25%
Adjusted EBITDA [(1)]	**$**	**12,347**	$	8,424	46%	**$**	**17,782**	$	14,231	25%
as a % of revenue		***17.71%***		*8.17%*			***12.20%***		*7.72%*	

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

Revenue for Q2 2020 decreased 32% or $33.4 million to $69.7 million as compared to Q2 2019, largely driven by decreased activity levels throughout the portfolio resulting from impacts of the Pandemic on operations. Adjusted EBITDA increased 46% or $3.9 million to $12.3 million as compared to Q2 2019. The net Adjusted EBITDA improvement is the direct result of the Company's eligibility for CEWS program whereby Mosaic received $9.1 million in Q2 2020. Excluding CEWS, Adjusted EBITDA declined 61% or $5.1 million to $3.3 million or 4.72% of revenue. Management's focus on cost structures and reductions in discretionary spending, given the current operating environment, buffered the Adjusted EBITDA margin decrease of 345-basis points in Q2 2020, as compared to the prior year period.

For the six months ended June 30, 2020, revenue decreased 21% or $38.6 million to $145.7 million as compared to the same period of 2019, largely driven by decreased activity levels throughout the portfolio starting in mid-March 2020 resulting from impacts of the Pandemic on operations. Adjusted EBITDA increased 25% or $3.6 million to $17.8 million as compared to 2019. The net Adjusted EBITDA improvement is directly attributed to the Company's eligibility in the CEWS program for which it has received $9.1 million year-to-date. Excluding CEWS, Adjusted EBITDA declined 39% or $5.5 million to $8.7 million or 5.99% of revenue. The Adjusted EBITDA margin decrease of 173-basis points in year-to-date, as compared to the prior year period, was the result of the same factors mentioned above.

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

	Three months ended June 30,					Six months ended June 30,				
(in $000s, except as noted)		**2020**		2019	% Change		**2020**		2019	% Change
Revenue:										
Infrastructure	**$**	**52,268**	$	71,186	-27%	**$**	**100,236**	$	126,523	-21%
Diversified		**17,285**		31,197	-45%		**44,952**		56,886	-21%
Energy		**149**		703	-79%		**550**		969	-43%
Corporate		**-**		-			**-**		-	
Total revenue		**69,702**		103,086	-32%		**145,738**		184,378	-21%
Adjusted EBITDA: [(1)]										
Infrastructure		**9,665**		4,883	98%		**12,898**		8,581	50%
Diversified		**3,766**		4,571	-18%		**6,975**		8,056	-13%
Energy		**(50)**		148	-134%		**21**		132	-84%
Corporate		**(1,034)**		(1,178)	12%		**(2,112)**		(2,538)	17%
Total adjusted EBITDA	**$**	**12,347**	$	8,424	46%	**$**	**17,782**	$	14,231	25%
as a % of revenue		***17.71%***		*8.17%*			***12.20%***		*7.72%*	

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:

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Revenue	**$ 52,268**	$ 71,186	-27%	**$ 100,236**	$ 126,523	-21%
Operating expenses	**42,603**	66,303	-36%	**87,338**	117,942	-26%
Adjusted EBITDA (1)	**$ 9,665**	$ 4,883	98%	**$ 12,898**	$ 8,581	50%
as a % of revenue	***18.49%***	*6.86%*		***12.87%***	*6.78%*	

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

Revenue for the second quarter of 2020 decreased 27% or $18.9 million over Q2 2019. This was primarily attributed to reduced activity levels resulting from the impacts of the Pandemic. Bassi's revenue was constrained due to provincial government restrictions and SECON's revenue was tempered as clients deferred projects. Meanwhile, Cedar and Place-Crete's revenues held as their activities were deemed essential services. For Q2 2020, Adjusted EBITDA increased 98% or $4.8 million over Q2 2019, which was a direct result of the Company's eligibility for the CEWS program for which the Infrastructure business segment received $5.5 million. Excluding CEWS, Adjusted EBITDA declined 15% or $0.7 million to $4.2 million or 7.96% of revenue. Management's focus on cost structures, reductions in discretionary spending, and disciplined operational execution given the current operating environment, helped lift the Adjusted EBITDA margin by 110-basis points in Q2 2020, as compared to the prior year period.

For the first half of 2020, revenue decreased 21% or $26.3 million over the prior year. This was primarily due reduced activity levels related to the impact of the Pandemic experienced in the current quarter. Adjusted EBITDA increased 50% or $4.3 million over the prior year. Excluding CEWS, Adjusted EBITDA declined 14% or $1.2 million to $7.4 million or 7.38% of revenue. The Adjusted EBITDA margin decrease of 94-basis points year-to-date, as compared to the prior year period, was the result of the same factors mentioned above.

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 June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Revenue	**$ 17,285**	$ 31,197	-45%	**$ 44,952**	$ 56,886	-21%
Operating expenses	**13,519**	26,626	-49%	**37,977**	48,830	-22%
Adjusted EBITDA (1)	**$ 3,766**	$ 4,571	-18%	**$ 6,975**	$ 8,056	-13%
as a % of revenue	***21.79%***	*14.65%*		***15.52%***	*14.16%*	

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

Revenue for Q2 2020 decreased 45% or $13.9 million over Q2 2019 due to reduced activity resulting from the impacts of the Pandemic. Furthermore, Printing Unlimited's operations were adversely impacted by damage to its operating facility and equipment from spring flooding experienced in Fort McMurray, Alberta. Adjusted EBITDA for the current quarter decreased 18% or $0.8 million over Q2 2019. All portfolio companies within this segment experienced deferrals of projects and / or temporary shutdowns of operations. The marginal decrease in Adjusted EBITDA as compared to the significant decline in Revenue was the result of the business segments eligibility for the CEWS program for which the Diversified business segment received $3.2 million. Excluding CEWS, Adjusted EBITDA declined 89% or $4.1 million to $0.5 million or 3.00% of revenue. Management's focus on cost savings and reductions in discretionary spending, given the current operating environment, was not able to materially mitigate the significant decrease in revenue as the Adjusted EBITDA margin decreased by 1,165-basis points in Q2 2020, as compared to the prior year period.

For the first six months of 2020, revenue decreased 21% or $18.7 million over the comparable prior year primarily due to decreased activity across the segment related to the impact of the Pandemic. Adjusted EBITDA for the first half of 2020 decreased 13% or $1.1 million over the comparable 2019 period. Excluding CEWS, Adjusted EBITDA declined 54% or $4.3 million to $3.7 million or 8.23% of revenue. The Adjusted EBITDA margin decrease of 761-basis points in Q2 2020, as compared to the prior year period, was the result of the same factors mentioned above.

Energy Business Segment

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

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Revenue	**$ 149**	$ 703	-79%	**$ 550**	$ 969	-43%
Operating expenses	**199**	555	-64%	**529**	837	-37%
Adjusted EBITDA [(1)]	**$ (50)**	$ 148	-134%	**$ 21**	$ 132	-84%
as a % of revenue	***-33.56%***	*21.05%*		***3.82%***	*13.62%*	

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

The Q2 2020 revenue decrease of 79% or $0.6 million was attributable to the Pandemic and overall significant weakness in the oil and natural gas services market in Western Canada. Adjusted EBITDA decreased 134% or $0.2 million over Q2 2019 due to the decrease in revenue activities offset by the support received by the CEWS program in the amount of $0.1 million.

For the first half of 2020, the revenue decrease of 43% or $0.4 million was the result of reduced activity in Q2 as discussed above. Adjusted EBITDA decreased 84% or $0.1 million over the same period of 2019.

Corporate

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Operating expenses	**$ 1,034**	$ 1,178	-12%	**$ 2,112**	$ 2,538	-17%
Adjusted EBITDA [(1)]	**$ (1,034)**	$ (1,178)	12%	**$ (2,112)**	$ (2,538)	17%

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

Certain corporate expenses relate to Mosaic's involvement in the operational matters of its subsidiaries and are attributed to the Infrastructure, 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. The decrease in corporate expenses in 2020, was primarily due to Mosaic's eligibility in the CEWS program for which it received $0.2 million and reduced discretionary spending to mitigate the impact of the Pandemic on the Company's financial results.

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 June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Amortization expense:						
Property, plant and equipment	**$ 1,210**	$ 1,240	-2%	**$ 2,403**	$ 2,443	-2%
Leased assets	**1,399**	1,156	21%	**2,759**	2,357	17%
Intangible assets	**1,910**	3,064	-38%	**3,821**	6,118	-38%
Total amortization expense	**$ 4,519**	$ 5,460	-17%	**$ 8,983**	$ 10,918	-18%

Amortization expense was relatively consistent with the carrying value of the asset being amortized both quarter-over-quarter and on a year-over-year basis.

Loss on disposal of equipment

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Loss on disposal of equipment	**$ 213**	$ 47	353%	**$ 230**	$ 61	277%

Loss on disposal of equipment of $0.2 million for Q2 2020 (2019 – forty-seven thousand dollars) and $0.2 million for the first half of 2020 (2019 - $0.1 million) primarily relates to equipment disposed as a result of the spring flooding that occurred in Fort McMurray, Alberta that impacted the operations of Printing Unlimited.

Impairment Loss

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Impairment loss	**$ 27,523**	$ -	100%	**$ 27,523**	$ -	100%

During Q2 2020, the Company completed an impairment test of its intangible assets and goodwill. The impairment loss of $27.5 million (2019 - $nil) incurred relates to goodwill and intangible asset impairment losses recognized in Allied Cathodic, Bassi, Circle 5, Kendall’s Supply, and Mackow cash generating units ("**CGUs**").

Management performed the impairment test for intangible assets and goodwill as the impacts of the Pandemic on current and estimated future cash flows suggested indicators that the enterprise values of the Company’s CGUs may be lower than their individual carrying values. The impairment test was based on a value in use calculation using a discounted cash flow model. The model included cash flow estimates for a five-year period which are extrapolated using an estimated terminal growth rate of 3% and pre-tax discount rates of 12% to 15%.

The results of the test suggested that the above CGUs intangible assets and goodwill were impaired as their respective carrying values were greater than their estimated recoverable values. The reduction in recoverable values was attributable to expectations of future financial performance stemming from the Pandemic’s impact on geographical, industries and sectors that these CGUs operate within and their current and expected future cash flows. Furthermore, Allied Cathodic and Kendall’s Supply have been adversely impacted by this exposure to the oil and natural gas services market that has materially weakened

By segment the impairment loss incurred was:

(in $000s, except as noted)	Impairment
Infrastructure	
Bassi	$ 4,900
Diversified	
Circle 5	11,700
Kendall’s Supply	3,800
Mackow	4,000
Energy	
Allied Cathodic	3,123
Total	**$ 27,523**

Net Financing Costs

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Interest:						
Expense related to debt instruments	**$ 1,429**	$ 1,901	-25%	**$ 2,945**	$ 3,577	-18%
Expense related to lease obligations	**230**	224	3%	**471**	455	4%
Income on cash and cash equivalents	**(58)**	(75)	-23%	**(125)**	(109)	15%
Accretion expense	**189**	302	-37%	**415**	601	-31%
Amortization of borrowing costs	**122**	144	-15%	**246**	288	-15%
Net financing costs	**$ 1,912**	$ 2,496	-23%	**$ 3,952**	$ 4,812	-18%
as a % of average debt outstanding	***6.77%***	*6.30%*		***6.62%***	*6.03%*	

Refer to *"Capital Resources – Loans and Borrowings"* for details on Mosaic's debt facilities. Net financing costs include accretion of fair value of debt instruments 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 5.87% for Q2 2020 (Q2 2019 – 5.37%) and 5.72% for the first half of 2020 (2019 - 5.06%) which is consistent with Mosaic's overall debt facilities.

Foreign Exchange Loss (Gain)

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Foreign exchange loss (gain)	**$ 739**	$ 249	197%	**$ (645)**	$ 534	-221%

Certain of the Company's portfolio companies transact in United States dollars for certain sales and purchases. Foreign exchange loss (gain) is determined by the fluctuations in exchange rate between the Canadian and United States dollar. The loss of $0.7 million (Q2 2019 – $0.2 million) for the current quarter and gain of $0.6 million (2019 – loss of $0.5 million) for the first six months is a reflection of the Canadian dollar fluctuations compared to the United States dollar.

Fair Value Adjustment

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Common share purchase warrants	**$ 90**	$ 457	-80%	**$ (3,081)**	$ 3,059	-201%
Revaluation of NCI put options	**252**	229	10%	**498**	450	11%
Contingent accounts receivable	**(52)**	-	NA	**(102)**	-	NA
Contingent consideration	**-**	(184)	100%	**-**	(184)	100%
Risk management contracts	**(370)**	(183)	-103%	**(37)**	(786)	95%
Fair value adjustment	**$ (80)**	$ 319	125%	**$ (2,722)**	$ 2,539	-207%

The common share purchase warrants ("**Warrants**") are treated as derivative liabilities and are measured at fair value at the end of each reporting period. The non-cash change of $0.1 million in Q2 2020 (2019 - $0.5 million) and $3.1 million for the first half of 2020 (2019 - $3.1 million), was driven by the change in the Company's common share market price over the period, which changes the derivative liability's fair value with the offset being a charge to income.

A loss of $0.2 million, for Q2 2020 and $0.5 million year-to-date (Q2 2019 $0.2 million and $0.5 million year-to-date) 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 Q2 2020 (Q2 2019 – $nil) and $0.1 million year to date (2019 - $nil) was recognized with respect to contingent accounts receivable.

In Q2 2020, the Company recognized a gain of $0.4 million (2019 –$0.2 million) and year-to-date thirty-seven thousand dollars (2019 – $0.8 million) related to foreign exchange forward contracts used to manage foreign exchange fluctuations.

Provision for Income Tax

	Three months ended June 30,					Six months ended June 30,				
(in $000s, except as noted)		**2020**		2019	% Change		**2020**		2019	% Change
Loss before income taxes	**$**	**(22,743)**	$	(295)	-7,609%	**$**	**(19,941)**	$	(4,991)	-300%
Provision for income taxes (reduction)	**$**	**(3,644)**	$	456	-899%	**$**	**(4,657)**	$	(505)	-822%
effective income tax rate		***16.0%***		*-154.6%*			***23.4%***		*10.1%*	

Included in Q2 2020 was a current tax provision of $0.3 million (2019 - $0.1 million) offset by a deferred tax reduction of $4.0 million (2019 – charge of $0.4 million). For the first half of 2020, the Company recognized a current tax provision of $0.4 million (2019 - $0.1 million) offset by a deferred tax reduction of $5.0 million (2019 - $0.6 million). The increased tax reduction provision was predominately the result of the impairment charge incurred, 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

As at June 30, 2020, Management had intentions to dispose of its ownership interest in Remote Waste. The disposal is expected to generate nominal proceeds and the Company recognized a $3.1 million impairment charge related to the equipment held within this CGU.

Remote Waste was included in the Energy business segment. Comparative period balances of the consolidated statements of income and comprehensive income and cash flows have been restated. The following table provides the operating results of the discontinued operations:

	Three months ended June 30,					Six months ended June 30,				
(in $000s, except as noted)		**2020**		2019	% Change		**2020**		2019	% Change
Revenue	**$**	**223**	$	2,836	-92%	**$**	**2,703**	$	6,272	-57%
Operating expenses		**976**		2,706	-64%		**3,213**		5,528	-42%
Adjusted EBITDA	**$**	**(753)**	$	130	-679%	**$**	**(510)**	$	744	-169%

On November 1, 2019, Mosaic sold its ownership interest in Ambassador to a 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		3,295
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		7,971
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 June 30,					Six months ended June 30,				
(in $000s, except as noted)		**2020**		2019	% Change		**2020**		2019	% Change
Revenue	**$**	-	$	10,932	-100%	**$**	-	$	22,312	-100%
Operating expenses		-		9,693	-100%		-		20,274	-100%
Adjusted EBITDA	**$**	-	$	1,239	-100%	**$**	-	$	2,038	-100%

Net Loss and Comprehensive Loss

	Three months ended June 30,			Six months ended June 30,		
(in $000s, except as noted)	**2020**	2019	% Change	**2020**	2019	% Change
Net loss and comprehensive (loss) income attributable to:						
Common equity holders from continuing operations	**$ (17,840)**	$ (3,121)	-472%	**$ (16,263)**	$ (8,598)	-89%
Common equity holders from discontinued operations	**(4,020)**	310	-1,397%	**(4,339)**	896	-584%
Preferred dividends/distributions	**1,496**	1,496	-	**2,992**	2,975	1%
Non-controlling interests from continuing Operations	**(2,976)**	845	-452%	**(2,071)**	1,043	-299%
Non-controlling interests from discontinued Operations	**(210)**	207	-201%	**(219)**	329	-167%
Net loss and comprehensive loss	**$ (23,550)**	$ (263)	-8,854%	**$ (19,900)**	$ (3,355)	-493%
Earnings (loss) per common share: [(1)]						
Basic from continuing operations	**$ (1.67)**	$ (0.30)	-457%	**$ (1.53)**	$ (0.81)	-89%
Basic from discontinued operations	**(0.38)**	0.04	-1,050%	**(0.41)**	0.09	-556%
Basic	**$ (2.05)**	$ (0.26)	-688%	**$ (1.94)**	$ (0.72)	-169%
Diluted from continuing operations	**$ (1.67)**	$ (0.30)	-457%	**$ (1.53)**	$ (0.81)	-89%
Diluted from discontinued operations	**(0.38)**	0.04	-1,050%	**(0.41)**	0.09	-556%
Diluted	**$ (2.05)**	$ (0.26)	-688%	**$ (1.94)**	$ (0.72)	-169%

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 Q2 2020, Mosaic recognized net loss and comprehensive loss from continuing operations attributable to equity holders of $17.8 million compared to $3.2 million in Q2 2019. Mosaic allocated a loss from continuing operations of $3.0 million (2019 – income of $0.9 million) to non-controlling interests ("**NCIs**"). For the first half of 2020, Mosaic recognized net loss and comprehensive loss from continuing operations attributable to equity holders of $16.3 million compared to a loss of $8.6 million for the comparable prior year period. Mosaic allocated a loss of $2.1 million (2019 – income of $1.1 million) to NCIs.

For Q2 2020, Mosaic recognized net loss and comprehensive loss from discontinued operations attributable to equity holders of $4.0 million compared to income of $0.3 million in Q2 2019. Mosaic allocated a loss of $0.2 million (2019 – income of $0.2 million) to NCIs. On a year to date basis, Mosaic recognized net loss and comprehensive loss attributable to equity holders from discontinued operations $4.3 million (2019 – income of $0.9 million). Mosaic allocated a loss of $0.2 million to NCIs (2019 – income of $0.3 million).

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 Q2 2020, basic and diluted loss per share from continuing operations were $1.67 (Q2 2019 –$0.30). Year-to-date basic and diluted loss per share from continuing operations were $1.53 (2019 –$0.81).

For Q2 2020, basic and diluted loss per share from discontinued operations were $0.38 (Q2 2019 basic and diluted earnings per share $0.04). Year-to-date basic and diluted loss per share from discontinued operations were $0.41 (2019 – basic and diluted earnings per share $0.09).

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as noted)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Revenue	$ 69,702	$ 76,036	$ 90,133	$ 107,300
Adjusted EBITDA	$ 12,347	$ 5,435	$ 7,871	$ 12,733
Net (loss) income and comprehensive (loss) income from continuing operations	$ (19,320)	$ 3,978	$ (11,254)	$ 5,064
Net (loss) income and comprehensive (loss) income from discontinued operations	$ (4,230)	$ (328)	$ 6,702	$ 1,545
Net (loss) income and comprehensive (loss) income	$ (23,550)	$ 3,650	$ (4,552)	$ 6,609
Net (loss) income attributable to equity holders from continuing operations	$ (17,840)	$ 1,577	$ (10,024)	$ 1,504
Net (loss) income attributable to equity holders from discontinued operations	$ (4,020)	$ (319)	$ 6,649	$ 1,229
Net (loss) income attributable to equity holders	$ (21,860)	$ 1,258	$ (3,375)	$ 2,733
Earnings (loss) / common share				
Basic from continuing operations	$ (1.67)	$ 0.15	$ (0.94)	$ 0.14
Basic from discontinued operations	$ (0.38)	$ (0.03)	$ 0.63	$ 0.12
Basic	$ (2.05)	$ 0.12	$ (0.31)	$ 0.26
Diluted from continuing operations	$ (1.67)	$ 0.15	$ (0.94)	$ 0.12
Diluted from discontinued operations	$ (0.38)	$ (0.03)	$ 0.63	$ 0.10
Diluted	$ (2.05)	$ 0.12	$ (0.31)	$ 0.22

(in $000s, except as noted)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Revenue	$ 103,086	$ 81,292	$ 104,519	$ 110,045
Adjusted EBITDA	$ 8,424	$ 5,807	$ 8,936	$ 14,060
Net (loss) income and comprehensive (loss) income from continuing operations	$ (782)	$ (3,799)	$ 4,545	$ 8,445
Net income (loss) and comprehensive income (loss) from discontinued operations	$ 519	$ 707	$ (1,110)	$ (443)
Net (loss) income and comprehensive (loss) income	$ (263)	$ (3,092)	$ 3,435	$ 8,002
Net (loss) income attributable to equity holders from continuing operations	$ (3,121)	$ (5,477)	$ 1,181	$ 2,704
Net income (loss) attributable to equity holders from discontinued operations	$ 310	$ 586	$ (1,034)	$ (412)
Net (loss) income attributable to equity holders	$ (2,811)	$ (4,891)	$ 147	$ 2,292
Earnings (loss) / common share				
Basic from continuing operations	$ (0.30)	$ (0.52)	$ 0.11	$ 0.25
Basic from discontinued operations	$ 0.04	$ 0.06	$ (0.10)	$ (0.04)
Basic	$ (0.26)	$ (0.46)	$ 0.01	$ 0.21
Diluted from continuing operations	$ (0.30)	$ (0.52)	$ 0.11	$ 0.22
Diluted from discontinued operations	$ 0.04	$ 0.06	$ (0.10)	$ (0.03)
Diluted	$ (0.26)	$ (0.46)	$ 0.01	$ 0.19

Certain of the Company's subsidiaries experience seasonal fluctuations in activity and financial performance. In the second quarter of 2020, Mosaic recognized an impairment charge from continuing operations of $27.5 million and from discontinued operations of $3.1 million. Furthermore, revenue was negatively impacted by the Pandemic and Adjusted EBITDA was augmented by $9.1 million in support from the CEWS program. 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 is:

(in $000s, except as noted)	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
(Increase) decrease to net income	$ 90	$ (3,170)	$ (117)	$ (678)

(in $000s, except as noted)	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
(Increase) decrease to net income	$ 457	$ 2,602	$ (205)	$ (4,147)

LIQUIDITY

	Six months ended Jun 30,	
(in $000s)	**2020**	2019
Net cash provided by (used in):		
Operating activities	**$ 18,658**	$ 11,998
Investing activities	**(1,417)**	(1,072)
Financing activities	**(1,833)**	(12,250)
Effect of foreign exchange on cash	**55**	(60)
Net increase (decrease) in cash	**$ 15,463**	$ (1,384)

Operating Activities

Year-to-date, the Company generated $18.7 million in cash from operating activities (2019 - $12.0 million). Cash generated from operating activities from continuing operations before non-cash working capital items was $14.1 million (2019 - $10.2 million). The support provided by the CEWS program and active working capital management drove the year-over-year improvement in cashflow.

As at June 30, 2020, the Company had cash of $34.4 million (December 31, 2019 - $19.0 million) on hand, $43.1 million (December 31, 2019 - $56.3 million) in positive working capital, $27.0 million (December 31, 2019 - $38.5 million) available on it's Credit Facility (defined herein) and approximately $18.0 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 are sufficient to support current operating activities.

Investing Activities

Net cash used in investing activities was $1.4 million for the first half of 2020. Net cash used included:

- the gross investment of $2.1 million in capital expenditures or $1.9 million, net of disposal proceeds as detailed below;
- the receipt of $0.1 million in distributions from a joint venture; and
- the net receipt of $0.4 million in proceeds related to discontinued operations.

Capital Expenditures

For the six months ended June 30, 2020, Mosaic invested $2.1 million gross and $1.9 million net of financing and disposal proceeds, in capital assets. The allocation of capital expenditures between assets that will increase revenue capacity ("**Growth**") and assets that will maintain or support existing revenue capacity ("**Sustaining**") was as follows:

(in $000s, except as noted)	Growth	Sustaining	**Total**
Business segment:			
Infrastructure	$ 72	$ 1,080	**$ 1,152**
Diversified	570	292	**862**
Energy	-	48	**48**
Corporate	-	-	**-**
	$ 642	$ 1,420	**2,062**
Proceeds on disposal of equipment			**(165)**
Capital expenditures, net of proceeds on disposal			**$ 1,897**

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 used in financing activities was $1.8 million for the six months ended June 30, 2020. Net cash used included:

- the net repayment of $0.3 million on operating facilities;
- the net proceeds of $11.4 million provided by the Credit Facility;
- the net payment of $5.2 million in notes payable;
- the payment of $2.4 million in lease obligations;
- $1.1 million in dividends paid to the common share holders (see below);
- $3.0 million in distributions paid to the Preferred Securities holders (see below);
- the payment of $1.1 million in distributions to NCIs; and
- $0.3 million used in relation to discontinued operations.

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. Year-to-date, a net loss of $2.3 million (2019 – income of $1.4 million) was allocated to NCIs and distributions of $2.4 million (2019 - $3.8 million) were allocated to holders of the NCIs.

Preferred Securities

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

(in $000s, except as noted)	**2020**	2019
March	**$ 1,496**	$ 1,479
June	**1,496**	1,497
September	**-**	1,512
December	**-**	1,512
	$ 2,992	$ 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**	**$**	**375**	$	0.035	$	371
February		**0.035**		**375**		0.035		372
March		**0.035**		**376**		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**	**$**	**1,126**	$	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 $000s, except as noted)		**Sep 30, 2019**		**Dec 31, 2019**		**Mar 31, 2020**		**Jun 30, 2020**		**TTM 2020**
Free Cash Flow[(1)]	**$**	**8,032**	**$**	**2,402**	**$**	**502**	**$**	**4,690**	**$**	**15,626**
Preferred security distributions	**$**	**1,512**	**$**	**1,512**	**$**	**1,496**	**$**	**1,496**	$	**6,016**
Common share dividends		**1,125**		**1,127**		**1,126**		**-**		**3,378**
Total equity based distributions	**$**	**2,637**	**$**	**2,639**	**$**	**2,622**	**$**	**1,496**	**$**	**9,394**
Payout Ratios:										
Preferred Distribution[(1)]										**39%**
Combined Distribution[(1)]										**60%**

(in $000s, except as noted)		Sep 30, 2018		Dec 31, 2018		Mar 31, 2019		Jun 30, 2019		TTM 2019
Free Cash Flow[(1)]	$	6,994	$	3,886	$	1,731	$	3,550	$	16,161
Preferred security distributions	$	1,512	$	1,512	$	1,479	$	1,497	$	6,000
Common share dividends		1,115		1,115		1,115		1,128		4,473
Total equity based distributions	$	2,627	$	2,627	$	2,594	$	2,625	$	10,473
Payout Ratios:										
Preferred Distribution[(1)]										37%
Combined Distribution[(1)]										65%

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 June 30, 2020, Mosaic had cash and cash equivalents of $34.4 million (December 31, 2019 - $19.0 million), working capital of $43.1 million (December 31, 2019 - $56.3 million), $27.0 million (December 31, 2019 - $38.5 million) available on it's Credit Facility (defined herein) and approximately $18.0 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	Availability	Restrictions	Security	**Jun 30, 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	9,350	75% of AR	GSA & AA	**-**	-
SECON	5-year term	7,000	CAPEX	GSA & AA	**-**	-
		18,100			**-**	-
Diversified						
Circle 5	Revolving demand	6,000	AR & INV	GSA	**1,250**	1,507
Mackow	Revolving demand	3,000	AR & INV	GSA	**-**	-
Industrial Scaffold	Revolving term	7,500(2)	75% AR	GSA & AA	**-**	-
		16,500			**1,250**	1,507
Total		**$ 34,600**			**$ 1,250**	**$ 1,507**

Notes:
"**AR**" – eligible trade accounts receivables
"**INV**" – inventories
"**CAPEX**" – capital expenditures
"**AA**" – assignment of all assets
"**GSA**" – general security agreement
(1) At June 30, 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.
(2) Expands from $3,000 to $7,500 for May 1 to December 31 each year.

As of June 30, 2020, approximately $18.0 million (December 31, 2019 - $21.8 million) in aggregate was available, of which $1.3 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 June 30, 2020, $23.0 million (December 2019 - $11.5 million) was outstanding. Subsequent to June 30, 2020, the Company amended and extended its Credit Facility, which included near-term covenant relief to assist the Company with managing potential financial impacts derived from the Pandemic. See *"Subsequent Event – Credit Facility"*.

Notes Payable

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

					Balance Outstanding	
(in $000s, except as noted)	Facility Type	Term	Rate	Security	**Jun 30, 2020**	Dec 31, 2019
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	**609**	629
					609	5,008
Diversified						
Printing Unlimited	Term loan	Oct 2020	P+0.75%	Mortgage	**544**	551
Industrial Scaffold	Promissory note	Jan 2021	5%	NA	**2,074**	4,147
					2,618	4,698
All segments	Equipment & leasehold	< 5 years	< P+0.5%	GSA & FC	**4,975**	3,722
All segments	Unamortized discount				**(47)**	(134)
Total notes payable					**8,155**	13,294
Current portion					**(4,343)**	(8,096)
Non-current portion					**$ 3,812**	**$** 5,198

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

Lease Obligations

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

	Balance Outstanding	
(in $000s)	**Jun 30, 2020**	Dec 31, 2019
Building leases	**$ 13,351**	$ 14,435
Computer hardware leases	**63**	100
Furniture & fixtures leases	**28**	24
Production & rental equipment leases	**3,040**	3,787
Vehicle leases	**2,287**	2,673
Transferred to liabilities associated with assets held for sale	**(310)**	-
Total leases	**18,459**	21,019
Current portion	**(4,925)**	(5,752)
Non-current portion	**$ 13,534**	**$ 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 Debentures carrying value:

As at *(in $000s)*	**Jun 30, 2020**	Dec 31, 2019
Principal amount	**$ 50,000**	$ 50,000
Unamortized discount	**(1,826)**	(2,047)
Unamortized transaction costs	**(71)**	(80)
	$ 48,103	$ 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 $000s)*	**Jun 30, 2020**	Dec 31, 2019
Debt component		
Principal amount	**$ 13,124**	$ 13,124
Less:		
Unamortized transaction costs	**(540)**	**(644)**
Equity component	**(944)**	**(944)**
Accumulated accretion expense	**837**	**725**
	$ 12,477	$ **12,261**
Equity component		
Amount allocated to equity	**$ 944**	$ **944**
Less:		
Allocated deferred financing fees and deferred taxes	**(75)**	**(85)**
	$ 869	$ **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 June 30, 2020, Mosaic had 17.0 million Warrants with a carrying value of $0.1 million (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 $000s)*	**Jun 30, 2020**	Dec 31, 2019
Principal amount	**$ 20,000**	$ 20,000
Unamortized transaction costs	**(108)**	(200)
	$ 19,892	$ 19,800

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 December 31, 2023 at a notional aggregate fair value of $10.7 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 $21.4 million to $43.0 million at June 30, 2020 from $64.3 million at December 31, 2019. The decrease was attributable to the net loss and comprehensive loss incurred in the year and Preferred Securities distributions, common share 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.

The Preferred Securities were recorded at Fair value upon issue. Mosaic used a discount rate of 7.3% in arriving at the fair value of $82.4 million net of transaction costs.

Securities Data

As at August 5, 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	622,916	N/A
Warrants	17,026,106	N/A

Note:
(1) As at June 30, 2020, 311,695 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 $37.2 million at June 30, 2020 compared to $41.7 million at December 31, 2019. The net decrease was the result of $2.4 million in distributions to NCIs and net loss attributable to NCIs of $2.1 million.

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 June 30, 2020.

The following summarizes the key financial covenant requirements and compliance calculations as at June 30, 2020:

(in $000s, except as noted)	Requirement	Calculated	Compliant
Total Debt to Gross EBITDA	< 3.50	1.27	Yes
Net Funded Debt to EBITDA	< 3.50	0.80	Yes
Debt Service Coverage Ratio	> 1.50	2.43	Yes

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

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

(in $000s, except as noted)	**Jun 30, 2020**
Debt:	
Operating loans	**$ 1,250**
Credit facility	**22,965**
Notes payable (secured)	**6,128**
Lease obligations	**18,459**
Total Debt	**48,802**
Less Mosaic's share of cash	**(27,002)**
Net Funded Debt	**$ 21,800**
TTM EBITDA:	
Gross	**$ 38,386**
Mosaic share	**$ 27,224**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.50)	**1.27**
Net Funded Debt to Mosaic EBITDA (less than 3.50)	**0.80**

Debt Service Coverage Ratio

(in $000s, except as noted)	**Jun 30, 2020**
TTM Cash Flow	
Gross EBITDA	**$ 38,386**
Less:	
Unfunded sustaining capital expenditures	**(2,145)**
Cash taxes	**(573)**
Total TTM Cash Flow	**$ 35,668**
TTM Fixed Charges	
Interest expense	**$ 7,426**
Repayment of notes payable (secured)	**7,241**
Total TTM Debt Service	**$ 14,667**
Financial covenant:	
Debt Service Coverage Ratio (greater than 1.50)	**2.43**

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.

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	<1.1	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, prepaid expenses and other, 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 June 30, 2020, the Warrants were valued at $0.1 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 3.50 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 four years at a notional aggregate fair value of $10.7 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 the Pandemic, commodity price fluctuations and general economic conditions. The table below summarizes the future undiscounted contractual cash flow requirements as at June 30, 2020 for the financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 1,250**	$ 1,313	$ 1,313	$ -	$ -	$ -
Trade, accrued, and other payables	**42,920**	42,920	42,920	-	-	-
Distributions payable	**1,496**	1,496	1,496	-	-	-
Redeemable non-controlling Interest	**19,892**	21,050	21,050	-	-	-
Liabilities associated with assets held for sale	**310**	326	326	-	-	-
Credit facility	**22,965**	24,803	919	23,884	-	-
Notes payable	**8,155**	8,207	4,649	2,273	1,195	91
Lease obligations	**18,459**	20,253	5,442	4,681	2,737	7,394
Debentures	**48,103**	58,750	2,500	2,500	2,500	51,250
Convertible debentures	**12,477**	1,382	919	463	-	-
Common share purchase Warrants	**99**	-	-	-	-	-
Non-controlling interests put options	**10,721**	12,332	7,583	1,583	1,583	1,583
	$ 186,847	$ 192,832	$ 89,117	$ 35,384	$ 8,015	$ 60,318

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 June 30, 2020 is approximately $0.3 million (2019 - $0.3 million). The Company's notes payable bear fixed interest rates, hence are not exposed to interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

As at June 30, 2020, Mosaic has no off-balance sheet arrangements, except as detailed under *"Liquidity – Contractual Obligations"*.

SUBSEQUENT EVENT

Credit Facility

On August 5, 2020, the Company amended and extended its Credit Facility to May 31, 2023. The Credit Facility's financial covenant requirements were amended as follows:

	Total Debt to Gross EBITDA	Net Funded Debt to Gross EBITDA	Debt Service Coverage Ratio
June 30, 2020	< 3.50	< 3.50	> 1.50
September 30, 2020	< 4.00	< 4.25	> 1.25
December 31, 2020	< 4.00	< 4.25	> 1.10
March 31, 2021	< 3.50	< 3.75	> 1.10
June 30, 2021	< 3.50	< 3.50	> 1.50
September 30, 2021 and thereafter	< 3.25	< 3.25	> 1.50

If the Company declares any common share dividends, the financial covenants accelerate to the September 30,2021 requirements.

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 June 30, 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 and six months ended June 30, 2020 and 2019.

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

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

Adjusted EBITDA and Free Cash Flow

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

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

(ii) non-cash income and expenses;

(iii) finance costs;

(iv) equity-based compensation expense; and

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

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

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

(i) NCI 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 payment of dividends to holders of common shares;

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

(iii) investment in growth capital expenditures; and

(iv) to be retained by the Company.

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

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

	Three months ended June 30,		Six months ended June 30,	
(in $000s, except as noted)	**2020**	2019	**2020**	2019
Net loss and comprehensive loss from continuing operations	**$ (19,320)**	$ (782)	**$ (15,342)**	$ (4,581)
Add (deduct):				
Exchange differences on translating foreign operations	**221**	31	**58**	95
Provision for income taxes	**(3,644)**	456	**(4,657)**	(505)
Fair value adjustment	**(80)**	319	**(2,722)**	2,539
Share of joint venture loss (income)	**15**	19	**(43)**	37
Foreign exchange loss (gain)	**739**	249	**(645)**	534
Net financing costs	**1,912**	2,496	**3,952**	4,812
Impairment loss	**27,523**	-	**27,523**	-
Equity-based compensation	**230**	139	**427**	359
Loss (gain) on early termination of leases	**19**	(10)	**18**	(38)
Loss on sale of equipment	**213**	47	**230**	61
Amortization:				
Intangible assets	**1,910**	3,064	**3,821**	6,118
Leased assets	**1,399**	1,156	**2,759**	2,357
Property, plant and equipment	**1,210**	1,240	**2,403**	2,443
Adjusted EBITDA	**$ 12,347**	$ 8,424	**$ 17,782**	$ 14,231
Add (deduct):				
Non-controlling interest's share of Adjusted EBITDA	**(3,720)**	(2,223)	**(5,412)**	(4,237)
Mosaic's share of:				
Net cash interest expense	**(1,569)**	(1,853)	**(3,214)**	(3,522)
Current income tax expense	**(144)**	(55)	**(200)**	(126)
Sustaining capital expenditures	**(587)**	(446)	**(1,080)**	(604)
Lease obligation payments	**(786)**	(1,120)	**(1,799)**	(2,259)
Free Cash Flow	**$ 5,541**	$ 2,727	**$ 6,077**	$ 3,483

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

	Three months ended June 30,		Six months ended June 30, 2020	
(in $000s, except as noted)	**2020**	2019	**2020**	2019
(Loss) earnings from discontinued operations, net of tax	**$ (4,230)**	$ 519	**$ (4,558)**	$ 1,226
Add (deduct):				
Exchange differences on translating foreign operations	**(306)**	(10)	**(109)**	(44)
Provision for income taxes	**333**	32	**288**	(26)
Net financing costs	**31**	56	**63**	114
Impairment loss	**3,141**	-	**3,141**	-
Loss (gain) on early termination of leases	**13**	(11)	**(34)**	(11)
Loss (gain) on disposal of equipment	**1**	(32)	**1**	(112)
Amortization:				
Intangible assets	**-**	228	**-**	456
Leased assets	**154**	323	**423**	650
Property, plant and equipment	**110**	264	**275**	529
Adjusted EBITDA	**$ (753)**	$ 1,369	**$ (510)**	$ 2,782
Add (deduct):				
Non-controlling interest's share of Adjusted EBITDA	**38**	(310)	**26**	(509)
Mosaic's share of:				
Net cash interest expense	**(16)**	(166)	**(31)**	(336)
Lease obligation payments	**(120)**	(70)	**(370)**	(139)
Free Cash Flow	**$ (851)**	$ 823	**$ (885)**	$ 1,798

The following tables reconcile both Adjusted EBITDA and Free Cash Flow to net income and comprehensive income from for the aggregate of continuing and discontinued operations:

	Three months ended June 30,		Six months ended June 30,	
(in $000s, except as noted)	**2020**	2019	**2020**	2019
Net loss and comprehensive loss from continuing operations	**$ (23,550)**	$ (263)	**$ (19,900)**	$ (3,355)
Add (deduct):				
Exchange differences on translating foreign operations	**(85)**	21	**(51)**	51
Provision for income taxes	**(3,311)**	488	**(4,369)**	(531)
Fair value adjustment	**(80)**	319	**(2,722)**	2,539
Share of joint venture loss (income)	**15**	19	**(43)**	37
Foreign exchange loss (gain)	**739**	249	**(645)**	534
Net financing costs	**1,943**	2,552	**4,015**	4,926
Impairment loss	**30,664**	-	**30,664**	-
Equity-based compensation	**230**	139	**427**	359
Loss (gain) on early termination of leases	**32**	(21)	**(16)**	(49)
Loss on sale of equipment	**214**	15	**231**	(51)
Amortization:				
Intangible assets	**1,910**	3,292	**3,821**	6,574
Leased assets	**1,553**	1,479	**3,182**	3,007
Property, plant and equipment	**1,320**	1,504	**2,678**	2,972
Adjusted EBITDA	**$ 11,594**	$ 9,793	**$ 17,272**	$ 17,013
Add (deduct):				
Non-controlling interest's share of Adjusted EBITDA	**(3,682)**	(2,533)	**(5,386)**	(4,746)
Mosaic's share of:				
Net cash interest expense	**(1,585)**	(2,019)	**(3,245)**	(3,858)
Current income tax expense	**(144)**	(55)	**(200)**	(126)
Sustaining capital expenditures	**(587)**	(446)	**(1,080)**	(604)
Lease obligation payments	**(906)**	(1,190)	**(2,169)**	(2,398)
Free Cash Flow	**$ 4,690**	$ 3,550	**$ 5,192**	$ 5,281

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 June 30, 2020, yields payout ratios of 24% (2019 - 26%). 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 June 30, 2020, yields payout ratios of 37% (2019 - 45%). 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 unused portion of the Credit Facility and operating facilities;
- 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.