MOSAIC CAPITAL CORPORATION

Management's Discussion and Analysis
For the Three Months ended March 31, 2021

"Growth through sustainable cash flow"

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BASIS OF PRESENTATION

This management's discussion and analysis ("**MD&A**") for Mosaic Capital Corporation's ("**Mosaic**" or the "**Company**") financial condition, results of operations and cash flows for the three months ended March 31, 2021, should be read in conjunction with Mosaic's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020, the audited consolidated financial statements for the years ended December 31, 2020 and 2019, the annual MD&A for the year ended December 31, 2020 and the annual information form ("**AIF**") for the year ended December 31, 2020. The three-month periods ended March 31, 2021 and 2020 are herein referred to as "**Q1**". This MD&A was prepared effective May 5, 2021.

Unless otherwise noted, all financial information is prepared in Canadian dollars, in accordance with International Accounting Standard ("**IAS**") 34 - Interim Financial Reporting within the framework of International Financial Reporting Standards ("**IFRS**"), using the accounting policies described in Note 3 of the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

Additional information relating to the Company, including the AIF, are available under Mosaic's profile on SEDAR at www.sedar.com and on the Company's website at www.mosaiccapitalcorp.com. Capitalized terms used herein and not otherwise defined have their meaning ascribed to them in the Company's AIF.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking information and forward-looking statements based on certain expectations, projections and assumptions. This information is subject to a number of risks and uncertainties, many of which are beyond the Company's control. Users of this information are cautioned that actual results may differ materially. For additional information refer to the *"Advisory Regarding Forward-Looking Statements"*.

SELECT FINANCIAL HIGHLIGHTS

Financial Results

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
CONTINUING OPERATIONS			
Revenue	**$ 82,578**	$ 76,036	9%
Adjusted EBITDA (1)	**$ 7,939**	$ 5,435	46%
Net income and comprehensive income	**$ 1,657**	$ 3,977	-58%
Free Cash Flow (1)	**$ 2,373**	$ 538	341%
DISCONTINUED OPERATIONS			
Revenue	**$ —**	$ 2,480	NA
Adjusted EBITDA (1)	**$ —**	$ 242	NA
Net loss and comprehensive loss	**$ —**	$ (328)	NA
Free Cash Flow (1)	**$ —**	$ (35)	NA
AGGREGATE			
Revenue	**$ 82,578**	$ 78,516	5%
Adjusted EBITDA (1)	**$ 7,939**	$ 5,677	40%
per share	***$ 0.74***	*$ 0.53*	39%
as a % of revenue (%)	***9.61***	*7.23*	
Net income and comprehensive income	**$ 1,657**	$ 3,649	-55%
Net income (loss) attributable to common equity holders	**$ (1,134)**	$ 1,257	-190%
Free Cash Flow (1)	**$ 2,373**	$ 503	372%
per share	***$ 0.22***	*$ 0.05*	*368%*
Preferred securities distributions declared	**$ 1,479**	$ 1,496	-1%
Common share dividends declared	**$ —**	$ 1,116	-100%
per share	***$ —***	*$ 0.105*	*-100%*
TTM Preferred Distribution Payout Ratio (%) (1)	**33.96**	41.53	
Weighted avg. common shares outstanding	**10,705,665**	10,621,420	1%

Note:

(1) Adjusted EBITDA, Free Cash Flow and Preferred Distribution Payout Ratio are not recognized measures under IFRS. Refer to *"Non-GAAP Measures"*. TTM is defined as trailing twelve months.

Financial Position

As at *(in $000s, except as noted)*		**March 31, 2021**		December 31, 2020
Cash and cash equivalents	**$**	**20,661**	$	30,938
Working capital	**$**	**43,295**	$	45,454
Total assets	**$**	**257,746**	$	259,269
Loans and borrowings	**$**	**102,805**	$	104,359
Liabilities exchangeable with equity	**$**	**20,094**	$	20,288
Shareholders' equity	**$**	**46,904**	$	47,237
Non-controlling interests	**$**	**37,825**	$	38,791
Common share and other securities outstanding:				
Common shares		**10,705,665**		10,705,665
Common share purchase warrants		**17,026,106**		17,026,106
Convertible debentures		**13,124**		13,124
Options and restricted share units, net of common shares held by trustee		**609,308**		779,490

NATURE OF OPERATIONS

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

FIRST QUARTER 2021 HIGHLIGHTS

For the three months ended March 31, 2021, Mosaic:

- generated $82.6 million in revenue from continuing operations which was a 9% improvement over the same period in 2020 demonstrating a return to revenue growth since the onset of the COVID-19 pandemic ("**Pandemic**");

- generated Adjusted EBITDA from continuing operations of $7.9 million which exceeded the same period last year by 46% due to solid performances at certain portfolio companies and the receipt of Canada Emergency Wage Subsidy ("**CEWS**") funds;

- delivered a 14% improvement in Adjusted EBITDA over the same period last year when measured before the receipt of CEWS funding, illustrating a return to pre-pandemic profitability levels;

- increased Free Cash Flow from continuing operations by 341% over the same period last year, supported by profitability gains, disciplined cost management, and lower cash interest expense;

- posted a trailing twelve month Preferred Distribution Payout Ratio of 34%; and

- maintained a healthy balance sheet with $20.7 million in cash, $43.3 million in working capital and Total Debt to Gross EBITDA leverage of 0.98.

OUTLOOK

Mosaic's first quarter 2021 financial results exhibit an acceleration of the strong operational momentum that surfaced in the second half of 2020 as Pandemic-related influences began to ease for the underlying portfolio companies. Mosaic demonstrated a reduced reliance from government wage subsidies in the first quarter of 2021 with growth in both revenue and profitability levels over the same period last year when removing the benefit of CEWS funding in the current quarter.

Reflecting on the strong first quarter results and the increasing levels of customer demand across the portfolio, management has an expectation for solid overall growth in 2021 after normalizing for the CEWS funding received in 2020. Notwithstanding the current health impacts of the third wave of the Pandemic, Mosaic's portfolio has illustrated its resiliency and the benefits of its underlying diversification.

RESULTS OF OPERATIONS

Revenue and Adjusted EBITDA from Continuing Operations

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Revenue	**$ 82,578**	$ 76,036	9%
Operating expenses	**74,639**	70,601	6%
Adjusted EBITDA [(1)]	**$ 7,939**	$ 5,435	46%
as a % of revenue (%)	***9.61***	*7.15*	
Government subsidies	**1,743**	—	NA
Adjusted EBITDA, net of government subsidies	**$ 6,196**	$ 5,435	14%
as a % of revenue (%)	***7.50***	*7.15*	

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

For the quarter ended March 31, 2021, revenue increased 9% or $6.5 million to $82.6 million as compared to the same period of 2020, driven by an increase in activity levels in specific portfolio companies. Adjusted EBITDA increased 46% or $2.5 million to $7.9 million as compared to 2020. The Adjusted EBITDA improvement is directly attributed to disciplined cost management, greater fixed cost absorption, and the Company's eligibility for the CEWS program for which it received $1.7 million in Q1 2021. Excluding CEWS, Adjusted EBITDA improved 14% or $2.5 million to $6.2 million. The Adjusted EBITDA margin increase of 35-basis points, as compared to the prior year period, was predominately the result of increased activity levels in the Diversified business segment.

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

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Revenue:			
Infrastructure	**$ 49,812**	$ 47,968	4%
Diversified	**32,766**	28,068	17%
Total revenue	**82,578**	76,036	9%
Adjusted EBITDA: [(1)]			
Infrastructure	**4,165**	3,340	25%
Diversified	**5,040**	3,300	53%
Corporate	**(1,266)**	(1,205)	-5%
Total adjusted EBITDA	**$ 7,939**	$ 5,435	46%
as a % of revenue (%)	***9.61***	*7.15*	
Government subsidies	**1,743**	—	NA
Adjusted EBITDA, net of government subsidies	**6,196**	5,435	14%
as a % of revenue (%)	***7.50***	*7.15*	

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 March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Revenue	**$ 49,812**	$ 47,968	4%
Operating expenses	**45,647**	44,628	2%
Adjusted EBITDA (1)	**$ 4,165**	$ 3,340	25%
as a % of revenue (%)	***8.36***	*6.96*	
Government subsidies	**807**	—	NA
Adjusted EBITDA, net of government subsidies	**$ 3,358**	$ 3,340	1%
as a % of revenue (%)	***6.74***	*6.96*	

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

For Q1 2021, revenue increased 4% or $1.8 million over the same period in the prior year. This was due to increased activity levels throughout the portfolio offset by reduced activities in Bassi which has been adversely impacted by Pandemic-related restrictions. Adjusted EBITDA increased 25% or $0.8 million over 2020. Excluding CEWS, Adjusted EBITDA was consistent with Q1 2020. The Adjusted EBITDA margin decrease of 22-basis points for Q1 2021 as compared to Q1 2020, was the result of the same factors mentioned above.

Diversified Business Segment

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

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Revenue	**$ 32,766**	$ 28,068	17%
Operating expenses	**27,726**	24,768	12%
Adjusted EBITDA (1)	**$ 5,040**	$ 3,300	53%
as a % of revenue (%)	***15.38***	*11.76*	
Government subsidies	**936**	—	NA
Adjusted EBITDA, net of government subsidies	**$ 4,104**	$ 3,300	24%
as a % of revenue (%)	***12.53***	*11.76*	

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

For Q1 2021, revenue increased 17% or $4.7 million over Q1 2020 due to increased activity for Circle 5 and Industrial Scaffold which more than offset weakness in Mackow which experienced a temporary slowdown in customer demand. Adjusted EBITDA for Q1 2021 increased 53% or $1.7 million over the Q1 2020 period. Excluding CEWS, Adjusted EBITDA increased 24% or $0.8 million to $4.1 million. The Adjusted EBITDA margin increase of 77-basis points in 2021 as compared to the prior year period, was the result of improved activity at Circle 5 which typically generates stronger margins than the overall business segment.

Corporate

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Operating expenses	**$ 1,266**	$ 1,205	5%
Adjusted EBITDA (1)	**$ (1,266)**	$ (1,205)	-5%

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 and Diversified business segments.

The "Corporate" information used in the table above is not a separate segment and is only presented to reconcile to the consolidated results. Corporate expenses were consistent with Q1 2020.

Amortization Expenses

Amortization expenses are incurred within all business segments, however they are reported separately from operating costs since they are non-cash period expenses.

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Amortization expense:			
Property, plant and equipment	**$ 1,151**	$ 1,193	-4%
Leased assets	**1,525**	1,360	12%
Intangible assets	**1,799**	1,911	-6%
Total amortization expense	**$ 4,475**	$ 4,464	—%

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

(Gain) Loss on Disposal of Equipment

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
(Gain) loss on disposal of equipment	**$ (377)**	$ 17	-2318%

Gain on disposal of equipment of $0.4 million for Q1 2021 (2020 – seventeen thousand dollars) primarily relates to government assistance that was received related to equipment destroyed in the 2020 spring flooding that occurred in Fort McMurray, Alberta that impacted the operations of Printing Unlimited.

Net Financing Costs

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Interest:			
Expense related to debt instruments	**$ 1,189**	$ 1,533	-22%
Expense related to lease obligations	**220**	223	-1%
Income on cash and cash equivalents	**(10)**	(65)	85%
Accretion expense	**164**	226	-27%
Amortization of borrowing costs	**110**	123	-11%
Net financing costs	**$ 1,673**	$ 2,040	-18%
as a % of average debt outstanding (%)	***6.46***	*6.44*	

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 5.44% for Q1 2021 (2020 - 5.54%) which is consistent with Mosaic’s overall debt facilities.

Foreign Exchange Loss (Gain)

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Foreign exchange loss (gain)	**$ 179**	$ (1,383)	113%

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 $0.2 million (2020 – gain of $1.4 million) for Q1 2021 is a reflection of the Canadian dollar fluctuations compared to the United States dollar.

Fair Value Adjustment

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Common share purchase warrants	**$ 113**	$ (3,170)	104%
Revaluation of NCI put options	**85**	246	-65%
Contingent accounts receivable	**(28)**	(50)	NA
Risk management contracts	**(6)**	332	-102%
Fair value adjustment	**$ 164**	$ (2,642)	106%

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 charge of $0.1 million for Q1 2021 (2020 - $3.2 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 $0.1 million for Q1 2021 ($0.2 million for 2020) 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 twenty-eight thousand dollars Q1 2021 (2020 - fifty thousand dollars) was recognized with respect to contingent accounts receivable and a gain of six thousand dollars for Q1 2021 (2020 – a loss of $0.3 million) related to foreign exchange forward contracts used to manage foreign exchange fluctuations.

Provision for Income Tax

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Income (loss) before income taxes	**$ 1,642**	$ 2,801	-41%
Provision for income taxes (reduction)	**$ 55**	$ (1,013)	105%
effective income tax rate (%)	***3.35***	*(36.17)*	

Included in Q1 2021 was a current tax provision of $0.1 million (2020 - $0.1 million) and deferred tax recovery of forty-four thousand dollars (2020 – $1.1 million). The increased tax reduction provision was predominately the result of the change in fair value of the Warrants and distributions made to preferred security holders having different attributes for tax purposes than accounting under IFRS.

Results of Discontinued Operations

Effective July 31, 2020, Mosaic disposed of its ownership interest in Remote Waste. An impairment loss of $3.4 million was incurred to reduce the carrying value of the assets to their fair value.

Net Income and Comprehensive Income

	Three months ended March 31,		
(in $000s, except as noted)	**2021**	2020	% Change
Net (loss) income and comprehensive (loss) income attributable to:			
Common equity holders from continuing operations	**$ (1,134)**	$ 1,576	-172%
Common equity holders from discontinued operations	**—**	(319)	100%
Preferred distributions	**1,479**	1,496	-1%
Non-controlling interests from continuing operations	**1,312**	905	45%
Non-controlling interests from discontinued operations	**—**	(9)	100%
Net income and comprehensive income	**$ 1,657**	$ 3,649	-55%
Earnings (loss) per common share: (1)			
Basic from continuing operations	**$ (0.11)**	$ 0.15	-173%
Basic from discontinued operations	**—**	(0.03)	100%
Basic	**$ (0.11)**	$ 0.12	-192%
Diluted from continuing operations	**$ (0.11)**	$ 0.15	-173%
Diluted from discontinued operations	**—**	(0.03)	100%
Diluted	**$ (0.11)**	$ 0.12	-192%

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

For Q1 2021, Mosaic recognized net loss and comprehensive loss from continuing operations attributable to equity holders of $1.1 million compared to income of $1.6 million for Q1 2020. Mosaic allocated income of $1.3 million (2020 – $0.9 million) to NCIs.

Pursuant to IFRS, earnings per share is calculated after giving effect to distributions on securities which rank in priority to common shares which include preferred securities and NCIs. For Q1 2021 basic and diluted loss per share from continuing operations were $0.11 (2020 –$0.15).

SUMMARY OF QUARTERLY RESULTS

(in $000s, except as noted)	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Revenue	$ 82,578	$ 89,099	$ 91,005	$ 69,702
Adjusted EBITDA	$ 7,939	$ 8,332	$ 16,856	$ 12,347
Net income (loss) and comprehensive income (loss) from continuing operations	$ 1,657	$ 3,960	$ 8,328	$ (19,320)
Net income (loss) and comprehensive income (loss) from discontinued operations	$ —	$ 1,602	$ (590)	$ (4,230)
Net income (loss) and comprehensive income (loss)	$ 1,657	$ 5,562	$ 7,738	$ (23,550)
Net (loss) income attributable to equity holders from continuing operations	$ (1,134)	$ 552	$ 2,776	$ (17,840)
Net income (loss) attributable to equity holders from discontinued operations	$ —	$ 1,602	$ (561)	$ (4,020)
Net (loss) income attributable to equity holders	$ (1,134)	$ 2,154	$ 2,215	$ (21,860)
Earnings (loss) / common share				
Basic from continuing operations	$ (0.11)	$ 0.05	$ 0.26	$ (1.67)
Basic from discontinued operations	$ —	$ 0.15	$ (0.05)	$ (0.38)
Basic	$ (0.11)	$ 0.20	$ 0.21	$ (2.05)
Diluted from continuing operations	$ (0.11)	$ 0.03	$ 0.23	$ (1.67)
Diluted from discontinued operations	$ —	$ 0.07	$ (0.05)	$ (0.38)
Diluted	$ (0.11)	$ 0.10	$ 0.18	$ (2.05)

(in $000s, except as noted)	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Revenue	$ 76,036	$ 90,133	$ 107,300	$ 103,086
Adjusted EBITDA	$ 5,435	$ 7,871	$ 12,733	$ 8,424
Net income (loss) and comprehensive income (loss) from continuing operations	$ 3,978	$ (11,254)	$ 5,064	$ (782)
Net (loss) income and comprehensive (loss) income from discontinued operations	$ (328)	$ 6,702	$ 1,545	$ 519
Net income (loss) and comprehensive income (loss)	$ 3,650	$ (4,552)	$ 6,609	$ (263)
Net income (loss) attributable to equity holders from continuing operations	$ 1,577	$ (10,024)	$ 1,504	$ (3,121)
Net (loss) income attributable to equity holders from discontinued operations	$ (319)	$ 6,649	$ 1,229	$ 310
Net income (loss) attributable to equity holders	$ 1,258	$ (3,375)	$ 2,733	$ (2,811)
Earnings (loss) / common share				
Basic from continuing operations	$ 0.15	$ (0.94)	$ 0.14	$ (0.30)
Basic from discontinued operations	$ (0.03)	$ 0.63	$ 0.12	$ 0.04
Basic	$ 0.12	$ (0.31)	$ 0.26	$ (0.26)
Diluted from continuing operations	$ 0.15	$ (0.94)	$ 0.12	$ (0.30)
Diluted from discontinued operations	$ (0.03)	$ 0.63	$ 0.10	$ 0.04
Diluted	$ 0.12	$ (0.31)	$ 0.22	$ (0.26)

Certain of the Company’s subsidiaries experience seasonal fluctuations in activity and financial performance. The following items impacted results in each quarter as indicated:

- Q1 2021 - EBITDA was augmented by $1.7 million with support from the CEWS program;
- Q4 2020 - EBITDA was augmented by $2.2 million with support from the CEWS program;

- Q3 2020 - EBITDA was augmented by $7.6 million with support from the CEWS program. The Company sold its interest in Remote Waste;
- Q2 2020 - EBITDA was augments by $9.1 million with support from the CEWS program. At June 30, 2020, given the significant contraction in economic activity and uncertainty created by the Pandemic resulted in an impairment charge from continuing operations of $27.5 million. Meanwhile, an impairment charge from discontinued operations of $3.1 million was recorded; and
- Q4 2019 - Mosaic recognized an impairment charge of $13.9 million and 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)	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Decrease (increase) to net income	$ 113	$ 113	$ (89)	$ 90

(in $000s, except as noted)	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
(Increase) decrease to net income	$ (3,170)	$ (117)	$ (678)	$ 457

LIQUIDITY

	Three months ended March 31,	
(in $000s)	**2021**	2020
Net cash provided by (used in):		
Operating activities	**$ (3,365)**	$ 8,994
Investing activities	**(1,267)**	(516)
Financing activities	**(5,638)**	2,542
Net increase (decrease) in cash	**$ (10,270)**	$ 11,020

Operating Activities

For Q1 2021, the Company used $3.4 million in cash from operating activities (2020 - generated $9.0 million). Cash generated from operating activities from continuing operations before non-cash working capital items was $6.4 million (2020 - $3.7 million).

As at March 31, 2021, the Company had cash of $20.7 million (December 31, 2020 - $30.9 million) on hand, $43.3 million (December 31, 2020 - $45.5 million) in positive working capital, $31.4 million (December 31, 2020 - $29.9 million) available on its Credit Facility (defined herein) and approximately $23.4 million (December 31, 2020 - $27.3 million) available on its subsidiary-level operating credit facilities. Management believes that current working capital along with existing credit facilities are sufficient to support current operating activities.

Investing Activities

Net cash used in investing activities was $1.3 million in fiscal 2020. Net cash used included:

- the gross investment of $2.1 million in capital expenditures or $1.0 million, net of disposal proceeds and leased assets as detailed below; and
- the payment of $0.3 million in cash related to the acquisition of Borsoi Electrical Services Ltd. ("**Borsoi Electrical**") as detailed below.

Capital Expenditures

For the period ended March 31, 2021, Mosaic invested $2.1 million gross ($1.5 million purchased and $0.6 million leased) and $1.0 million net of leases 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:

	Purchased		Leased		
(in $000s, except as noted)	Growth	Sustaining	Growth	Sustaining	**Total**
Business segment:					
Infrastructure	$ —	$ 693	$ —	$ 517	**$ 1,210**
Diversified	548	254	—	131	**933**
Corporate	—	—	—	—	**—**
	$ 548	$ 947	$ —	$ 648	**$ 2,143**
Capital expenditures, financed					**(648)**
Capital expenditures, net of financing					**1,495**
Proceeds on disposal of equipment					**(478)**
Capital expenditures, net of financing and proceeds on disposal					**$ 1,017**

Growth expenditures within the Diversified segment primarily focus on expansion of Circle 5's operating capacity. Sustaining expenditures within the Infrastructure segment related to vehicle and construction equipment replacements within Place-Crete and SECON. Sustaining expenditures within the Diversified segment related primarily to vehicle and equipment replacements in Industrial Scaffold and Mackow.

Borsoi Electrical Acquisition

On January 1, 2021, SECON completed the acquisition of an 88% interest in the business being carried on by Borsoi Electrical. The remaining 12% was retained by its management. Borsoi Electrical is an electrical contractor in Kitimat, British Columbia. SECON is classified as a part of the Infrastructure segment.

The following table sets out the details of the acquisition including the consideration given and allocation of the purchase price to the fair value of the assets acquired.

Fair value of net assets acquired	
Property, plant and equipment	$ 12
Intangibles	267
Non-controlling interests	(29)
Net assets acquired	$ 250

Consideration given	
Cash	$ 250
Total consideration	$ 250

Financing Activities

Net cash used in financing activities was $5.6 million for Q1 2021. Net cash used included:

- the net proceeds of $3.6 million from operating facilities;

- the net repayment of $1.5 million provided by the Credit Facility;
- the net payment of $2.5 million in notes payable;
- the payment of $1.6 million in lease obligations;
- the purchase of $(0.3) in restricted share units;
- $1.5 million in distributions paid to the Preferred Securities holders (see below);
- the payment of $1.9 million in distributions to NCIs;
- the receipt of $0.4 million from partners in SECON for the purchase of NCI units; and
- the payment of $0.5 million for the redemption of units from an NCI of Bassi through the NCI put option.

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. Q1 2021, net income of $1.3 million (2020 – $0.9 million) was allocated to NCIs and distributions of $1.9 million (Q1 2020 - $0.9 million) were allocated to holders of the NCIs.

Preferred Securities

Information regarding the distributions declared to holders of Preferred Securities for fiscal 2021 and 2020 are set forth below.

(in $000s, except as noted)	**2021**	2020
March	**$ 1,479**	$ 1,496
June	**—**	1,496
September	**—**	1,512
December	**—**	1,512
	$ 1,479	$ 6,016

Common Share Dividends

Information regarding dividends declared and paid to holders of common shares for fiscal 2021 and 2020 are set forth below.

	2021		2020	
(in $000s, except as noted)	**Per Share**	**Total**	Per Share	Total
January	**$ —**	**$ —**	$ 0.035	$ 372
February	**—**	**—**	0.035	372
March	**—**	**—**	0.035	372
	$ —	**$ —**	$ 0.105	$ 1,116

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 Payout Ratio

The Preferred Distribution Payout Ratio with the corresponding distributions was as follows:

(in $000s, except as noted)	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	TTM 2021
Free Cash Flow[1]	$ 4,696	$ 8,344	$ 2,253	$ 2,373	$ 17,666
Preferred security distributions	$ 1,496	$ 1,512	$ 1,512	$ 1,479	$ 5,999
Preferred Distribution (%) [1]					33.96

(in $000s, except as noted)	Jun 30, 2019	Sep 30, 2019	Dec 31, 2019	Mar 31, 2020	TTM 2020
Free Cash Flow[1]	$ 3,550	$ 8,032	$ 2,402	$ 503	$ 14,487
Preferred security distributions	$ 1,497	$ 1,512	$ 1,512	$ 1,496	$ 6,017
Preferred Distribution (%) [1]					41.53

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

Contractual Obligations

Certain subsidiaries of Mosaic are contingently liable for contractor obligations relating to performance and completion of construction contracts. These may include contingent liabilities for subcontractors failing to meet their contractual performance obligations. As part of normal ongoing operations, it is possible that Mosaic and its subsidiaries could become involved in litigation and claims from time to time. Management is not presently aware of any litigation or claims where likelihood and quantum of liability can be reasonably estimated and which would materially affect the financial position or financial performance of Mosaic. In addition, Mosaic or its subsidiaries may provide indemnifications, in the normal course of business, that are often standard contractual terms to counterparties in certain transactions, such as purchase and sale agreements or service contracts. The terms of these indemnifications will vary based upon the contract, the nature of which prevents Mosaic from making a reasonable estimate of the maximum potential amounts that may be required to be paid.

CAPITAL RESOURCES

At March 31, 2021, Mosaic had cash and cash equivalents of $20.7 million (December 31, 2020 - $30.9 million), working capital of $43.3 million (December 31, 2020 - $45.5 million), $31.4 million (December 31, 2020 - $29.9 million) available on its Credit Facility (defined herein) and approximately $23.4 million (December 31, 2020 - $27.3 million) available on its 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	**Mar 31, 2021**	Dec 31, 2020
Infrastructure						
Cedar	Revolving demand	$ 1,800	75% of AR	GSA	**$ —**	$ —
Place-Crete	Revolving demand	4,000	75% of AR	GSA	**—**	—
SECON	Revolving demand	11,000	75% of AR	GSA & AA	**—**	—
SECON	5-year term	6,000	CAPEX	GSA & AA	**—**	—
		22,800			**—**	—
Diversified						
Circle 5	Revolving demand	6,000	AR & INV	GSA	**863**	—
Mackow	Revolving demand	3,000	AR & INV	GSA	**—**	—
Industrial Scaffold	Revolving term	7,000	75% AR	GSA & AA	**2,755**	—
		16,000			**3,618**	—
Total		**$ 38,800**			**$ 3,618**	**$ —**

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

As of March 31, 2021, approximately $23.4 million (December 31, 2020 - $27.3 million) in aggregate facilities was available based on margining limitations, of which $3.6 million (December 31, 2020 - nil) had been utilized.

Credit Facility

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

The Credit Facility is secured by general security agreements granted by Mosaic and certain of its subsidiaries together with an assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries. As at March 31, 2021, $18.6 million (December 2020 - $20.1 million) was outstanding.

Notes Payable

Notes payable include equipment loans, term 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 $000s, except as noted)	Facility Type	Term	Rate	Security	**Mar 31, 2021**	Dec 31, 2020
Infrastructure						
SECON	Term loan	May 2022	3.2%	Mortgage	**$ 578**	$ 589
					578	589
Diversified						
Printing Unlimited	Term loan	Oct 2025	P+0.75%	Mortgage	**531**	535
Industrial Scaffold	Promissory note	Jan 2021	5.0%	NA	**—**	2,074
					531	2,609
All segments	Equipment	< 5 years	< P+0.5%	GSA & FC	**3,613**	3,992
Total notes payable					**4,722**	7,190
Current portion					**(1,591)**	(3,655)
Non-current portion					**$ 3,131**	$ 3,535

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 $000s)	**Mar 31, 2021**	Dec 31, 2020
Building leases	**$ 12,952**	$ 13,886
Computer hardware leases	**43**	50
Furniture & fixtures leases	**18**	22
Production & rental equipment leases	**2,315**	2,697
Vehicle leases	**2,243**	2,280
Total leases	**17,571**	18,935
Current portion	**(5,492)**	(5,544)
Non-current portion	**$ 12,079**	**$ 13,391**

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 the Credit Facility.

The following summarizes the Debentures carrying value:

As at *(in $000s)*	**Mar 31, 2021**	Dec 31, 2020
Principal amount	**$ 50,000**	$ 50,000
Unamortized discount	**(1,474)**	(1,582)
Unamortized transaction costs	**(56)**	(61)
	$ 48,470	$ 48,357

Convertible Debentures

The Company has 13,124 (December 31, 2020 - 13,124) convertible unsecured subordinated debentures ("**Convertible Debentures**"), with a face value of $1,000 (one thousand) each issued and outstanding. Interest of 7% is payable, semi-annually in arrears. The Convertible Debentures are a compound financial instrument reflecting both a debt and equity component. The carrying value of the Convertible Debentures were as follows:

As at *(in $000s)*	**Mar 31, 2021**	Dec 31, 2020
Debt component		
Principal amount	**$ 13,124**	$ 13,124
Less:		
Unamortized transaction costs	**(158)**	(210)
Unamortized discount	**(165)**	(221)
	$ 12,801	$ 12,693
Equity component		
Amount allocated to equity	**$ 944**	$ 944
Less:		
Allocated deferred financing fees and deferred taxes	**(59)**	(64)
	$ 885	$ 880

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
2021	Mosaic	N/A	Face value + interest	$1,000 / 95% CSP

Note:
"**CSP**" – common share price

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

Common Share Purchase Warrants

As of March 31, 2021, Mosaic had 17.0 million Warrants with a carrying value of $0.2 million (December 31, 2020 - $0.1 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

The Company has $10.0 million of subordinated partnership units ("**Redeemable NCI**"). The Redeemable NCI matures on January 13, 2023 and has a preferential distribution of 8.0% which is treated as interest expense under IFRS. Mosaic incurred $0.2 million in transaction costs.

As at *(in $000s)*	**Mar 31, 2021**	Dec 31, 2020
Principal amount	**$ 10,000**	$ 10,000
Unamortized transaction costs	**(173)**	(204)
	$ 9,827	$ 9,796

Non-Controlling Interest Put Options

The Company has entered into agreements with certain of its NCI partners whereby the agreements contain a put option, which provides the holder with the right to require the Company to purchase their retained interest for deemed fair market value at the time the put is exercised. The Company also negotiated reciprocal call options, which would require the same NCIs to sell their retained interest to Mosaic for deemed fair market value at the time the call is exercised. The put and call options are exercisable between now and January 1, 2024. 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 January 1, 2024 at a notional aggregate fair value of $7.1 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.

Effective January 1, 2021, Bassi settled a put option with an NCI. Under the terms of the limited partnership agreement, Bassi redeemed 1,750,000 Class B units from the NCI for $0.5 million in cash. Mosaic now holds a 74% interest in Bassi.

Equity

Equity decreased $0.3 million to $46.9 million at March 31, 2021 from $47.2 million at December 31, 2020. The decrease was attributable to the Preferred Securities distributions offset by the net income and comprehensive income.

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 May 5, 2021, 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)	10,785,281		N/A
Share options	579,922		N/A
Restricted security units	721,182		N/A
Warrants	17,026,106		N/A

Note:
(1) As at March 31, 2021, 582,102 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 $37.8 million at March 31, 2021 compared to $38.8 million at December 31, 2020. The net decrease was the result of $1.9 million in distributions to NCIs offset by net income attributable to NCIs of $1.3 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 March 31, 2021.

The following summarizes the key financial covenant requirements and compliance calculations as at March 31, 2021:

	Total Debt to Gross EBITDA	Net Funded Debt to EBITDA	Debt Service Coverage Ratio
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

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

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

(in $000s, except as noted)	**Mar 31, 2021**
Debt:	
Operating loans	**$ 3,618**
Credit facility	**18,597**
Notes payable (secured)	**4,722**
Lease obligations	**17,571**
Total Debt	**44,508**
Less Mosaic's share of cash	**(16,080)**
Net Funded Debt	**$ 28,428**
TTM EBITDA:	
Gross	**$ 45,474**
Mosaic share	**$ 32,163**
Financial covenants:	
Total Debt to Gross EBITDA (less than 3.50)	**0.98**
Net Funded Debt to Mosaic EBITDA (less than 3.50)	**0.88**

Debt Service Coverage Ratio

(in $000s, except as noted)	**Mar 31, 2021**
TTM Cash Flow	
Gross EBITDA	**$ 45,474**
Less:	
Unfunded sustaining capital expenditures	**(3,529)**
Cash taxes	**(1,024)**
Total TTM Cash Flow	**$ 40,921**
TTM Fixed Charges	
Interest expense	**$ 6,442**
Repayment of notes payable (secured)	**7,083**
Total TTM Debt Service	**$ 13,525**
Financial covenant:	
Debt Service Coverage Ratio (greater than 1.50)	**3.03**

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
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

Debentures

The Debentures contain a financial covenant that total debt to gross EBITDA will not exceed 2.50 to 1.00 at the time the debt was incurred, without prior written consent. Total debt is defined to include consolidated bank debt, convertible debentures, lease obligations, equipment financing obligations, vendor take-back notes and other commercial notes, all to the extent they rank in priority to the Debentures. Gross EBITDA is defined as gross earnings before interest, taxes, depreciation and amortization. Mosaic was in compliance with this covenant as at March 31, 2021.

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 March 31, 2021, the Warrants were valued at $0.2 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 2.75 years. The liquidity discount involves significant management judgement as this is an unobservable input.

Non-controlling interest put options

The liability recognized in connection with the put options has been estimated using the guidance as defined in the agreements. The estimated future payment obligation is then discounted to its present value at each statement of financial position date. The significant unobservable inputs include the puts being exercised between now and four years at a notional aggregate fair value of $7.1 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 March 31, 2021 for the financial liabilities:

	Carrying amount	Contractual cash flow	Less than 12 months	1 – 2 years	2 -3 years	Thereafter
Operating loans	**$ 3,618**	$ 3,799	$ 3,799	$ —	$ —	$ —
Trade, accrued, and other payables	**45,490**	45,490	45,490	—	—	—
Distributions payable	**1,479**	1,479	1,479	—	—	—
Credit facility	**18,597**	20,829	744	744	19,341	—
Notes payable	**4,722**	4,980	1,749	1,795	759	677
Lease obligations	**17,571**	19,824	6,188	4,053	3,029	6,554
Debentures	**48,470**	57,062	2,500	2,500	52,062	—
Convertible debentures	**12,801**	14,043	14,043	—	—	—
Common share purchase warrants	**237**	—	—	—	—	—
Redeemable non-controlling interest	**9,827**	11,467	800	10,667	—	—
Non-controlling interest put options	**7,056**	7,500	6,500	500	500	—
	$ 169,868	$ 186,473	$ 83,292	$ 20,259	$ 75,691	$ 7,231

Management continually evaluates potential acquisitions. Such acquisitions will be completed utilizing uncommitted internal capital resources and debt or equity financing as is available. Such funding will be structured with the intent of not impairing Mosaic's ability to fund ongoing operations.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. The Company does not currently have any significant direct exposure to commodity price risk or other price risk. The Company manages currency risk by using foreign exchange forward contracts to manage the exposure of future denominated receipts and expenses using foreign exchange forward contracts and cross-currency swaps. Management believes the risk faced by the Company with regard to market risk is an acceptable risk faced in the ordinary course of business. General economic conditions globally, including relative strength of the Canadian dollar may adversely affect the value of the Company's business and the value of its financial instruments.

Interest Rate Risk

Mosaic is exposed to interest rate risk to the extent that some of its borrowings are at floating rates tied to bank prime rates which can change. The sensitivity in net income for each 1.0% change in annual interest rates on floating rate debt obligations outstanding as at March 31, 2021 is approximately $0.1 million (2020 - $0.2 million). The Company's notes payable bear fixed interest rates, hence are not exposed to interest rate risk.

OFF-BALANCE SHEET ARRANGEMENTS

As at March 31, 2021, Mosaic has no off-balance sheet arrangements, except as detailed under "*Liquidity – Contractual Obligations*".

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the normal course of operations and are recorded on an arms-length basis. No amounts were due from or payable to related parties as at March 31, 2021.

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, 2020 and 2019 and in the condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020.

BUSINESS RISKS AND UNCERTAINTIES

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

Mosaic has identified several significant risks in its most recent AIF under the heading *"Risk Factors".* Mosaic's AIF is available under Mosaic's profile on SEDAR at www.sedar.com or under the investors section of Mosaic's website at www.mosaiccapitalcorp.com.

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) 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 March 31,	
(in $000s, except as noted)	**2021**	2020
Net income and comprehensive income from continuing operations	**$ 1,657**	$ 3,977
Add (deduct):		
Exchange differences on translating foreign operations	**(70)**	(163)
Provision for income taxes	**55**	(1,013)
Fair value adjustment	**164**	(2,642)
Share of joint venture loss (income)	**12**	(58)
Foreign exchange loss (gain)	**179**	(1,383)
Net finance costs	**1,673**	2,040
Equity-based compensation	**204**	197
Gain on early termination of leases	**(33)**	(1)
(Gain) loss on sale of equipment	**(377)**	17
Amortization:		
Intangible assets	**1,799**	1,911
Leased assets	**1,525**	1,360
Property, plant and equipment	**1,151**	1,193
Adjusted EBITDA	**$ 7,939**	$ 5,435
Add (deduct):		
Non-controlling interest’s share of Adjusted EBITDA	**(2,264)**	(1,693)
Mosaic’s share of:		
Net cash interest expense	**(1,342)**	(1,645)
Current income tax expense	**(88)**	(56)
Sustaining capital expenditures	**(708)**	(490)
Lease obligation payments	**(1,164)**	(1,013)
Free Cash Flow	**$ 2,373**	$ 538

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

	Three Months Ended March 31,	
(in $000s, except as noted)	**2021**	2020
Loss and comprehensive loss from discontinued operations	**$ —**	$ (328)
Add (deduct):		
Exchange differences on translating foreign operations	**—**	194
Provision for income taxes	**—**	(44)
Net financing costs	**—**	32
Gain on early termination of leases	**—**	(46)
Amortization:		
Intangible assets	**—**	—
Leased assets	**—**	269
Property, plant and equipment	**—**	165
Adjusted EBITDA	**$ —**	$ 242
Add (deduct):		
Non-controlling interest’s share of Adjusted EBITDA	**—**	(12)
Mosaic’s share of:		
Net cash interest expense	**—**	(15)
Lease obligation payments	**—**	(250)
Free Cash Flow	**$ —**	$ (35)

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

	Three Months Ended March 31,	
(in $000s, except as noted)	**2021**	2020
Net income and comprehensive income	**$ 1,657**	$ 3,649
Add (deduct):		
Exchange differences on translating foreign operations	**(70)**	31
Provision for income taxes	**55**	(1,057)
Fair value adjustment	**164**	(2,642)
Share of joint venture loss (income)	**12**	(58)
Foreign exchange loss (gain)	**179**	(1,383)
Net finance costs	**1,673**	2,072
Equity-based compensation	**204**	197
Gain on early termination of leases	**(33)**	(47)
(Gain) loss on sale of equipment	**(377)**	17
Amortization:		
Intangible assets	**1,799**	1,911
Leased assets	**1,525**	1,629
Property, plant and equipment	**1,151**	1,358
Adjusted EBITDA	**$ 7,939**	$ 5,677
Add (deduct):		
Non-controlling interest's share of Adjusted EBITDA	**(2,264)**	(1,705)
Mosaic's share of:		
Net cash interest expense	**(1,342)**	(1,660)
Current income tax expense	**(88)**	(56)
Sustaining capital expenditures	**(708)**	(490)
Lease obligation payments	**(1,164)**	(1,263)
Free Cash Flow	**$ 2,373**	$ 503

Preferred Distribution Payout Ratio

"**Preferred Distribution Payout Ratio**" is a measure that management believes may be useful to investors in assessing the likelihood that Mosaic will be able to continue to pay distributions on its Preferred Securities. It is a percentage calculated as: (i) total amount of Preferred Securities distributions declared divided by (ii) Free Cash Flow for the period. There is no comparable IFRS measure to the Preferred Distribution Payout Ratio. However, this ratio utilizes Free Cash Flow in its calculation and the most directly comparable measure under IFRS to Free Cash Flow is cash flows from operating activities before changes in non-cash in working capital. Accordingly, dividing (i) the total amount of distributions declared to holders of Mosaic Preferred Securities during the period by (ii) cash flows from operating activities before changes in non-cash in working capital less lease obligation payments for the period, for each of the TTM periods ended March 31, 2021, yields payout ratios of 24% (2020 - 29%). 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.

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.