MOSAIC CAPITAL CORPORATION

Management's Discussion and Analysis
For the Three and Six Months Ended June 30, 2017

Dated: August 14, 2017

"Growth through sustainable cash flow"

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FORWARD-LOOKING STATEMENTS

This management's discussion and analysis ("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 of Mosaic Capital Corporation ("Mosaic" or the "Company") to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company cautions readers of this MD&A not to place undue reliance on Mosaic's forward-looking statements because a number of factors 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. Refer to the detailed disclosure concerning forward-looking statements under the heading "Forward-Looking Information" in this MD&A.

NON-IFRS FINANCIAL 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 not recognized under International Financial Reporting Standards ("IFRS") and have no standardized meaning prescribed by IFRS. These indicators and measures are therefore unlikely to be comparable to similar measures presented by other issuers.**

As disclosed in Mosaic’s MD&A for the three months ended March 31, 2017, management has evaluated the material changes in Mosaic’s capital structure arising from the Fairfax Financing transaction (described herein) and has amended the definition, calculation and use of certain of its non-IFRS financial measures to reflect what it believes is the most appropriate. Of note, management has amended the following:

- Free Cash Flow (as defined in prior MD&A’s) measure has been updated to also deduct cash financing costs. This change was made to reflect the Company’s capital structure which now contains 5% Debentures, Convertible Debentures and the Company’s potential increase in the use of interest bearing debt to support growth initiatives including 2017 Credit Facility and notes payable all of which will have a material impact on cash financing costs in the form of interest costs;
- Adjusted Return on common Equity (as defined in prior MD&A’s) measure has had the Free Cash Flow input updated and interest has been removed as a separate deduction as it is already reflected in Free Cash Flow;
- Preferred Distribution Payout Ratio (as defined in prior MD&A’s) has had the Free Cash Flow input updated; and
- Combined Payout Ratio (as defined in prior MD&A’s) has had the Free Cash Flow input updated.

Adjusted EBITDA: is defined as income before income taxes and before (i) gain (loss) on sale of equipment; (ii) non-cash income and expenses; (iii) finance costs; (iv) equity-based compensation expense; and (v) any unusual non-operating one-time items such as acquisition, disposition, and reorganization costs. Adjusted EBITDA is used by management to assess Mosaic's normalized cash generated on a consolidated basis and in its operating segments. Adjusted EBITDA is also a performance measure which may be utilized by investors to analyze the cash generated by Mosaic and its operating segments.

Free Cash Flow: is defined as Adjusted EBITDA less: (i) non-controlling interests' share of Adjusted EBITDA; (ii) Mosaic’s share of cash interest costs; (iii) Mosaic's share of current income tax expense; and (iv) Mosaic's share of Sustaining Capital Expenditures. Free Cash Flow is a performance measure used by management, and which may be useful to investors, to assess the funds available for: (i) the payment of distributions to holders of preferred securities and private yield securities, scheduled debt repayments and dividends to holders of Series A Shares and common shares; (ii) investment in growth capital expenditures; and (iii) new acquisitions and working capital.

Sustaining Capital Expenditures: is defined as capital expenditures required to sustain the operations of Mosaic at its current level of operations. It is calculated as total capital expenditures for the period minus growth capital expenditures (capital expenditures which are, as determined in the discretion of management, incurred to grow the enterprise and expected to generate additional Adjusted EBITDA). An example of Sustaining Capital Expenditures would be the replacement of vehicles that have completed their useful life.

Adjusted Return on Common Equity: means the percentage that is obtained by: (i) Free Cash Flow less distributions declared to holders of preferred securities and private yield securities and dividends declared to holders of Series A Shares during the period indicated, divided by (ii) weighted average common shareholders' equity for the period. Management believes Adjusted Return on Common Equity is a key performance measure as it indicates the return generated by Mosaic on its common equity. Management believes that this measure is most useful and relevant when measured over a twelve-month period. As a result, in this MD&A, management is reporting on this financial metric over the trailing twelve-month period ended as of the last day of the most recently completed financial period, being June 30, 2017.

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 and private yield securities and dividends on its Series A Shares. It is a percentage calculated as: (i) total amount declared (which includes cash paid as well as preferred securities distributed pursuant to the Mosaic distribution reinvestment plan ("DRIP")) to holders of preferred securities, private yield securities and Series A Shares during the period; divided by (ii) Free Cash Flow for the period.

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 distributions on its preferred securities and private yield securities, and pay dividends on its Series A Shares and common shares. It is a percentage calculated as: (i) total amount declared (which includes cash paid as well as preferred securities distributed pursuant to the DRIP) to holders of preferred securities, private yield securities, Series A Shares and common shares during the period; divided by (ii) Free Cash Flow for the period.

Investors are cautioned that the above non-IFRS measures should not be viewed as an alternative to measures that are recognized under IFRS such as net income or cash from operating activities. The distributions and dividends paid by Mosaic to its security holders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities. Mosaic's method of calculating the above non-IFRS measures may differ from that of other entities and therefore may not be comparable to measures utilized by them. See "Reconciliation of Non-IFRS Financial Measures".

INTRODUCTION

This MD&A has been prepared by Mosaic as at August 14, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Mosaic for the three and six months ended June 30, 2017 and 2016, the audited consolidated financial statements for the years ended December 31, 2016 and 2015, the annual MD&A dated for the year ended December 31, 2016 and the Company's Annual Information Form ("AIF") for the year ended December 31, 2016. Results are reported in thousands of Canadian dollars, except for per security data, unless otherwise stated, and have been prepared in accordance with IFRS applicable to the preparation of financial statements.

Additional information relating to the Company, including the AIF, is available under the Company’s profile on SEDAR at www.sedar.com and on the company's website at www.mosaiccapitalcorp.com.

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FINANCIAL HIGHLIGHTS

The financial highlights for Mosaic for the periods indicated are as follows:

	2017	per common share (basic) (6)	per common share (diluted)	2016	per common share (basic) (6)	per common share (diluted)
For the three months ended June 30						
Revenue	$ 69,726	6.79	2.36	$ 48,270	5.78	5.37
Adjusted EBITDA (1)	5,350	0.52	0.18	5,175	0.62	0.58
Net income and comprehensive income attributable to shareholders (2)	6,515	0.49	0.43	2,201	(0.13)	(0.13)
Net income and comprehensive income before intangibles amortization attributable to shareholders (4)	7,718	0.61	0.55	2,741	(0.06)	(0.06)
Free Cash Flow (1)	1,695	0.16	0.06	3,548	0.43	0.40
Change in Free Cash Flow per common share		-63%	-85%			
Preferred distributions declared (3)	1,496			3,284		
Common share dividends declared	1,111	0.105	-	863	0.10	-
Preferred Distribution Payout Ratio (1)	88%			91%		
Combined Payout Ratio (1)	154%			115%		
For the six months ended June 30						
Revenue	$ 127,835	12.44	4.33	$ 88,514	10.61	9.85
Adjusted EBITDA (1)	10,612	1.03	0.36	10,127	1.21	1.13
Net income and comprehensive income attributable to shareholders (2)	6,575	0.27	-0.31	4,205	(0.28)	(0.28)
Net income and comprehensive income before intangibles amortization attributable to shareholders (4)	8,914	0.50	-0.08	5,285	(0.15)	(0.15)
Free Cash Flow (1)	3,983	0.39	0.13	6,489	0.79	0.73
Change in Free Cash Flow per common share		-51%	-82%			
Preferred distributions declared (3)	3,981			6,539		
Common share dividends declared	2,204	0.21	-	1,726	0.20	-
Preferred Security Payout Ratio (1)	100%			101%		
Combined Payout Ratio (1)	155%			127%		
Rolling twelve-month Adjusted Return on Common Equity (1)(6)	NM			-7%		

FINANCIAL POSITION	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 17,836	$ 24,938
Working capital	55,512	23,150
Property, plant &equipment	34,679	26,835
Total assets	307,984	275,930
Operating loans	3,178	2,211
Credit facility	16,582	24,500
Notes payable	23,003	18,228
5% Debentures	46,800	-
Common share purchase warrants	14,614	-
Convertible debentures - liability portion	11,209	13,162
Shareholders' equity	141,328	168,503

SHARE INFORMATION	June 30, 2017	December 31, 2016
Common shares (5)	10,273,232	8,345,657
10% Preferred securities (face value per security $10)(5)	-	10,476,998
6% Preferred securities (face value per security $10)(5)	10,000,000	-
Private yield securities (face value per security $1,000)	-	26,520
Convertible unsecured subordinated debentures (face value per security $1,000)	13,124	15,626

Notes:

(1) Adjusted EBITDA, Free Cash Flow, Adjusted Return on Common Equity, Preferred Distribution Payout Ratio and Combined Payout Ratio are not recognized measures under IFRS and are defined under the heading "Non-IFRS Financial Measures". See also the disclosure under the heading "Reconciliation of Non-IFRS Financial Measures".

(2) Pursuant to IFRS, earnings per share are calculated after giving effect to distributions on securities which rank in priority to common shares. Refer to note 16 in the Q2 2017 condensed interim consolidated financial statements of Mosaic.

(3) Includes distributions on preferred securities, private yield securities and dividends on Series "A" Shares of Mosaic.

(4) Refer to the heading "Amortization" for more information.

(5) Additional information on the number of common shares and preferred securities outstanding is provided under the heading "Securities Data".

(6) The calculation of the rolling twelve-month Adjusted Return on Common Equity is not meaningful because the income before income taxes less distributions declared to holders of preferred securities and private yield securities, and dividends declared to holders of Series "A" Shares for the period was negative and equity attributable to common shareholders as at June 30, 2017 was positive.

Q2 Consolidated Financial Highlights

Revenue for Q2 2017 increased 44% or $21,456 to $69,726 compared to Q2 2016, primarily due to the addition of revenue from acquisitions of Mackow (purchased effective August 1, 2016), Bassi (purchased effective December 1, 2016) and Cedar (purchased effective May 1, 2017). This was partially offset by revenue declines from certain businesses in the Infrastructure segment due to weakness in those entities' markets as well as the project nature of their operations.

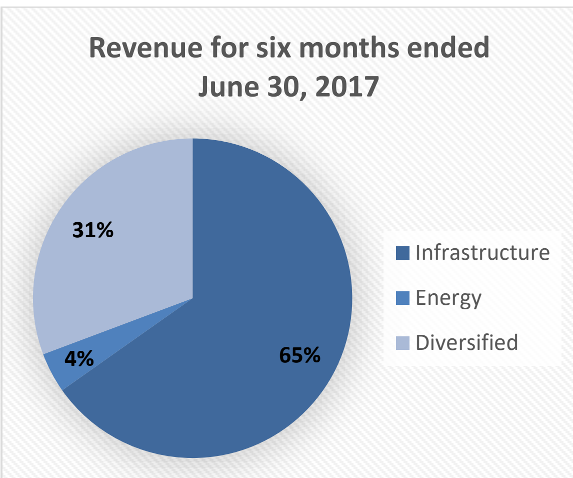
Adjusted EBITDA for Q2 2017 increased 3% or $175 to $5,350 compared to Q2 2016, primarily related to the increased Adjusted EBITDA contribution of Mackow and Cedar, largely offset by declines in businesses within the Infrastructure segment, for the same reasons as were stated above for revenue declines. Free Cash Flow for Q2 2017 decreased 52% or $1,853 to $1,695 compared to Q2 2016, primarily due to increased cash financing costs and Sustaining Capital Expenditures.

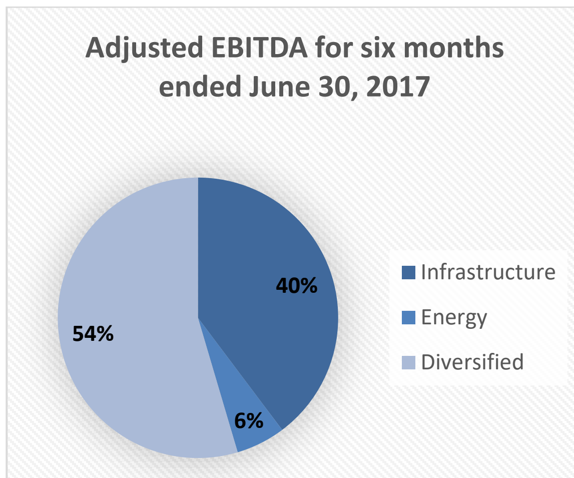
<u>Six-month Consolidated Financial Highlights</u>

Revenue for six months ended June 30, 2017 increased 44% or $39,321 to $127,835 compared to the six months ended June 30, 2016, primarily due to the factors stated above for Q2 2017.

Adjusted EBITDA for six months ended June 30, 2017 increased 5% or $485 to $10,612 compared to the six months ended June 30, 2016, primarily due to the factors stated above for Q2 2017. Free Cash Flow for six months ended June 30, 2017 decreased 39% or $2,506 to $3,983 compared to Q2 2016, primarily due to the factors stated above for Q2 2017.

Revenue and Adjusted EBITDA breakdown by segment for six months ended June 30, 2017 is as follows:





*****Revenue and Adjusted EBITDA attributable to the Real Estate segment are immaterial.

RECONCILIATION OF NON-IFRS FINANCIAL MEASURES

Adjusted EBITDA and Free Cash Flow:

The following tables reconcile both Adjusted EBITDA and Free Cash Flow to income before income taxes, which is the most directly comparable measure under IFRS to each of those non-IFRS financial measures:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Income before income taxes	$ 6,645	$ 3,385	$ 7,202	$ 6,493
Amortization	3,296	1,719	6,293	3,394
Equity-based compensation	422	223	217	325
Foreign exchange loss	41	-	45	-
Acquisition and financing costs	382	36	450	36
Costs of proposed equity financing	91	-	91	-
Share of joint venture (income) loss	(44)	(240)	(228)	(187)
Change in fair value of common share purchase warrants	(6,804)	-	(5,941)	-
Non-operating items				
Loss (gain) on sale of equipment	(40)	30	89	1
Net financing costs	1,361	22	2,394	65
Adjusted EBITDA	$ 5,350	$ 5,175	$ 10,612	$ 10,127

	Three months ended June. 30,		Six months ended June. 30,	
	2017	2016	2017	2016
Adjusted EBITDA	$ 5,350	$ 5,175	$ 10,612	$ 10,127
Non-controlling interests' share of Adjusted EBITDA (1)	(1,873)	(1,641)	(3,552)	(2,970)
Cash financing costs	(1,114)	(22)	(2,062)	(65)
Mosaic's share of current income tax expense	(89)	111	(126)	(206)
Mosaic's share of Sustaining Capital Expenditures	(579)	(75)	(889)	(397)
FREE CASH FLOW	$ 1,695	$ 3,548	$ 3,983	$ 6,489

Notes:
(1) Refer to the heading "Non-controlling Interests" for more information.

Adjusted Return on Common Equity compared to IFRS measure:

There is no IFRS measure comparable to Adjusted Return on Common Equity. However, this ratio utilizes Free Cash Flow in its calculation and the most directly comparable measure under IFRS to Free Cash Flow is income before income taxes. Accordingly, dividing (i) income before income taxes less distributions/dividends declared to holders of Mosaic preferred securities, private yield securities and Series A Shares, in each case during the twelve-month rolling period ending June 30, 2017, by (ii) weighted average common shareholders' equity for the same period, yields a ratio which is not meaningful (2016 - 21%). The calculation of the rolling twelve-month Adjusted Return on Common Equity is not meaningful because the income before income taxes less distributions declared to holders of preferred securities and private yield securities, and dividends declared to holders of Series A Shares for the period was negative and equity attributable to common shareholders as at June 30, 2017 was positive.

Preferred Distribution Payout Ratio compared to IFRS measure:

There is no IFRS measure comparable to 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 income before income taxes. Accordingly, dividing (i) the total amount of distributions/dividends declared to holders of Mosaic preferred securities, private yield securities and Series A Shares during the period by (ii) income before income taxes for the period, for each of the three-month and six-month periods ended June 30, 2017, yields ratios of 23% (2016 – 97%) and 55% (2016 – 101%) respectively.

Combined Payout Ratio compared to IFRS measure:

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 income before income taxes. Accordingly, dividing (i) the total amount of distributions/dividends declared during the period to holders of

Mosaic preferred securities, private yield securities, Series A Shares and common shares by (ii) income before income taxes for the period, for each of the three-month and six-month periods ended June 30, 2017, yields ratios of 39% (2016 – 123%) and 86% (2016 – 127%) respectively.

BACKGROUND

Mosaic is an investment company based in western Canada that owns a portfolio of established businesses that have a history of generating cash flow from their operations. Mosaic's objective is to create long-term value for the Company's shareholders and business partners. The Company believes that this is achieved by growing Free Cash Flow per common share and retained earnings. Mosaic does this by acquiring proven cash-flowing businesses at attractive prices. Risk is managed through extensive due diligence, creative transaction structuring, diversification, and working closely with the operating subsidiaries after acquisition to improve business operations and implement growth opportunities.

A November 2012 report by a large Canadian investment bank indicates that within Canada there is the potential for approximately 550,000 business owners to exit their businesses over the next ten years. These businesses would account for approximately $3.7 trillion in asset value affecting approximately 3.5 million employees and representing approximately 27% of Canada's gross domestic product. This ongoing succession of aging business owners looking for liquidity, often in the form of an exit or a partnership, should provide many opportunities for Mosaic to acquire companies meeting its investment criteria.

Mosaic operates in four reportable business segments: Infrastructure, Energy, Diversified and Real Estate. Within the Infrastructure, Energy and Diversified segments, the current portfolio of businesses operate in printing, oil and gas services, potash, construction, industrial supply industries and fabrication. Within the Real Estate segment, the Company owns three commercial properties, land held for development and has joint control (50%) of a joint venture with Harbour Equity Capital Corp. ("Harbour Equity") for the development of the Parker Industrial Park near Regina, Saskatchewan.

The common shares and convertible debentures of Mosaic are listed on the TSX Venture Exchange and trade under the symbols "M" and "M.DB" respectively.

Mosaic's head office is located at 400, 2424 - 4th Street SW, Calgary, Alberta, T2S 2T4.

Experienced Team With Vision

Mosaic's management team has extensive breadth and depth of experience gained through many years of involvement in numerous aspects of business, including operations, fund management, public and private mergers and acquisitions transactions, corporate restructurings, financings, venture capital and private equity investing, and corporate turnarounds. This experience allows Mosaic to acquire businesses with capable management teams with whom Mosaic works to improve and grow their operations. Mosaic provides its operating subsidiaries with strategic, business, financial, human resource, accounting and legal expertise while at the same time giving the subsidiaries' management teams the autonomy to continue to operate their respective businesses.

Mosaic acquires a control position in its businesses, which enables it to exercise the rights of ownership in making strategic decisions, allocating investment capital and managing risk. Mosaic typically does not get involved in the daily operating decisions of the businesses.

Mosaic works with the management teams of its operating subsidiary companies to identify acquisitions that would facilitate entry into new markets or increase product or service offerings. Mosaic is actively looking for businesses in a variety of industries that fit its investment criteria.

Acquisition criteria for such businesses include the following:

- Demonstrated history of growing sustainable cash flow and operating in an industry which Mosaic believes has good growth potential;
- Capable and experienced management team that is growth oriented;
- Significant market share in its business area;

- A sustainable competitive advantage; and
- Ability to grow the business.

STRONG ALIGNMENT OF INTERESTS

Mosaic's management believes in the alignment of interests among various stakeholders, including Mosaic, its shareholders and subsidiary company partners as well as Mosaic's management team and its employee group. Mosaic's management team and its employee group owned approximately 40% of the outstanding common shares of Mosaic, respectively, as at June 30, 2017.

FINANCIAL RESOURCES FOR FUTURE GROWTH

At June 30, 2017, Mosaic had a strong financial position with cash and cash equivalents of $17,836, working capital of $55,512 and $33,418 available on its credit facility. Although a portion of Mosaic's cash balances will be designated for funding ongoing operations, its capital resources position should also facilitate Mosaic's ability to capitalize on future opportunities as they arise.

PORTFOLIO OF BUSINESSES

Mosaic has four reportable business segments:

Infrastructure

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

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

- **Secon Holdings L.P.** ("**SECON**") (75% ownership), together with its subsidiaries, is based in Esterhazy and Warman, Saskatchewan. Through its subsidiaries Southeast Construction L.P. ("SECLP"), Core Industrial Services L.P. ("Core") and Tundra Mechanical & Millwrighting L.P. ("Tundra"), SECON provides industrial and commercial construction and maintenance services to the potash mining and milling industry, power generation, coal mining and crushing, fertilizer production and oilseed crushing.

- **Bassi Construction L.P.** ("**Bassi**") (70% ownership) is based in Ottawa, Ontario and is a 50-year-old multi-discipline commercial and industrial renovation/tenant refit and construction company with over 120 employees. Bassi operates in five primary divisions: commercial tenant fit-ups & restoration, specialty, concrete remediation, fire & flood reclamation and project management.

- **Cedar Infrastructure Products L.P. ("Cedar")** (75% ownership) is based in Vaughan, Ontario and is a distributor of municipal iron castings, concrete pipe, pre-cast products and related specialty items to service the road, water and sewer infrastructure and residential construction industries. Established in 2000, Cedar serves a broad group of contractors and municipalities in the Greater Toronto Area and Southwestern Ontario regions.

Energy

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

- **Remote Waste L.P.** ("**Remote Waste**") (94.90% ownership) is based in Sexsmith, Alberta and operates two water treatment businesses. Remote Waste manufactures and rents wastewater treatment systems for remote work camps which are primarily utilized in the oil and gas industry and provides water treatment services primarily for the oil and gas exploration and development sector.

Diversified

This segment is comprised of businesses which have a client base that participates in a diverse range of industries.

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

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

- **Industrial Scaffold Services L.P.** ("**Industrial Scaffold**") (67.5% ownership) is based in Nanaimo, British Columbia, and has offices across western Canada. Industrial Scaffold is a provider of worksite surface access scaffolding solutions and environmental containment systems to industrial and commercial customers in the pulp and paper, mining, marine, energy and utilities sectors in western Canada.

- **Mackow Industries L.P. ("Mackow")** (80% ownership) is based in Winnipeg, Manitoba, and is a manufacturer of precision fabricated metal components. Mackow's primary market is North American manufacturers of transit buses and highway motor coaches.

Real Estate

- **First West Properties L.P.** ("**FWPLP**") (100% ownership) is based in Calgary, Alberta, and identifies and acquires real estate, directly or indirectly, having what management believes to be prospects for stable cash flow and short and medium-term price appreciation potential. FWPLP adds value to the properties it acquires through, among other things, leasing vacant space, re-leasing upon renewal at market rates, making capital improvements and moving land through the land-use planning process. FWPLP currently consists of the business being carried on by itself directly and through its wholly-owned subsidiary First West Land Developments L.P., and through its 50% interest in First West Developments L.P. ("FWDLP").

RISK MANAGEMENT

Mosaic invests significant time to understand the risks associated with its portfolio companies. These risks range from macro-economic factors to industry-specific risks and individual business risks. It also includes risks that are largely beyond the Company's control such as weather and commodity prices. Based on the Company's assessment of the risks, management works on various risk mitigation strategies that may involve deployment of technology, business process improvement, individual business and market diversification and overall corporate portfolio diversification. Refer to "Risk Factors".

DEVELOPMENTS

The following sets forth certain developments that occurred in the business of Mosaic in the year up to August 14, 2017.

Credit Facility – On January 24, 2017, as amended June 30, 2017, the Company entered into a new three year, $50,000 committed revolving credit facility (the "**2017 Credit Facility**") to support day-to-day operations, capital expenditures and acquisitions. $15,000 of the facility's availability is subject to the completion of future acquisitions. The 2017 Credit Facility replaced a credit facility dated May 20, 2014 (the "**2014 Credit Facility**"), as amended August 2, 2016 and September 19, 2016. The 2017 Credit Facility bears interest at rates ranging from bank prime plus 0.50% - 1.50%. The 2017 Credit Facility is secured by, among other things, general security agreements granted by Mosaic and certain of its subsidiaries together with the assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries.

Strategic Investment from Fairfax Financial – On January 26, 2017, Mosaic closed a private placement (the "Fairfax Financing") pursuant to which Fairfax Financial Holdings Limited through certain of its subsidiaries (collectively "Fairfax") acquired: (i) $100,000 aggregate principal amount of 6% senior preferred securities (the "6% Senior Preferred Securities"); (ii) $50,000 aggregate principal amount of 5% senior secured debentures (the "5% Debentures"); and (iii) common share purchase warrants (the "Warrants") entitling Fairfax to acquire up to 17,026,106 common shares of Mosaic at a price of $8.81 per common share until January 26, 2024. If the Warrants are fully exercised, Fairfax would own approximately 59% of the currently issued and outstanding common shares of Mosaic, calculated on a fully diluted basis. Prior to the Fairfax Financing, Fairfax did not own or exercise control over any securities of Mosaic.

Redemption of outstanding securities – On February 10, 2017 (the "Redemption Date"), Mosaic completed the redemption of Mosaic's outstanding 10% unsecured subordinated perpetual preferred securities (the "10% Preferred Securities") and series A preferred shares (the "Series A Shares") and the retraction of Mosaic's outstanding series 1 private yield securities. On the Redemption Date: (i) each 10% Preferred Security was redeemed for a cash payment of $10.1096 for an aggregate redemption cost of approximately $105,900; (ii) each Series A Share was redeemed for a cash payment of $10.1096 for an aggregate redemption cost of approximately $900; and (iii) each private yield security was retracted for a cash payment of $1 for an aggregate retraction cost of approximately $26,800. Following the redemption of the 10% Preferred Securities, the 10% Preferred Securities were delisted from the TSX Venture Exchange. In connection with the retraction of the private yield securities and the redemption of the Series A Shares, all warrants convertible into private yield securities and all options to acquire Series A Shares outstanding on the Redemption Date were cancelled.

Common share dividend - On February 23, 2017 Mosaic announced that it was changing the common share dividend payments from a quarterly basis to a monthly basis and increased the common share dividend, on an annual basis, by 5% from $0.40 per annum to $0.42 per annum.

Subscription Privileges - On March 3, 2017 Mosaic received gross proceeds of $15,193 upon the closing of its previously announced offering of up to 2,551,020 subscription privileges (the "Subscription Privileges"). The Subscription Privileges entitled the holders thereof to subscribe for an aggregate of up to 2,551,020 common shares of Mosaic at a subscription price of $9.80 per share. A total of 1,550,302 common shares of Mosaic were issued upon closing.

Acquisition of Cedar Infrastructure Products – Effective May 1, 2017, Mosaic completed the acquisition of a 75% interest in the business being carried on by Cedar Infrastructure Products Inc. ("Cedar"). The remaining 25% is being retained by its founders. Mosaic's cost of the acquisition was $18,300, subject to typical post-closing adjustments and was funded through a combination of cash of $14,000 and vendor take-back financing of $4,300. In addition, there is a three year vendor earn-out provision to be paid to the vendors if the business meets specified targets. Cedar is included in the Infrastructure segment for reporting purposes.

OUTLOOK

Management continues to focus on delivering Free Cash Flow growth per share and strong shareholder returns while maintaining a healthy balance sheet. Management's strategy is to grow through the acquisition of majority interests in new portfolio companies while prudently managing its existing portfolio of underlying businesses throughout the economic cycles. Mosaic's pipeline of high quality and economically diverse acquisition opportunities has been and is expected to continue to be robust.

Economic activity in western Canada (Manitoba and west) continues to be weak, as the effects of a persistent low oil and natural gas price environment has adversely impacted virtually all sectors of the economy. In contrast, eastern Canadian (Ontario and east) activity levels have been strong and management is optimistic that this trend will continue. Mosaic believes that its recent significant acquisitions, which have all been oriented to markets outside of western Canada and Energy will continue to provide positive diversification benefits.

The following is management's outlook by business segment:

Infrastructure

The recent additions of Cedar and Bassi have significantly increased the revenue and cash flow profile of this business segment. Furthermore, both acquisitions serve markets in eastern Canada which are expected to benefit from the overall positive business climate in the region. Meanwhile, certain of Mosaic's western Canadian based businesses are expected to lag their historical performance norms due to soft market conditions. Looking into the second half of 2017, on an overall basis, the business segment's financial performance is anticipated to post strong year-over-year growth driven by contributions from Cedar and Bassi.

Energy

This business segment continues to face challenges due to the macro factors outlined above. Managing costs and maintaining margins will continue to be the Company's primary focus. With modestly improved industry fundamentals in 2017, management expects this business segment's performance to achieve financial results marginally better than 2016 levels.

Diversified

The addition of Mackow in August 2016 has significantly increased the revenue and cash flow profile of this business segment. Given its strategic supplier position in the transit bus and motor coach industry, management expects Mackow to be the most significant contributor to this business segment's financial performance. While the remaining businesses which operate in western Canada have been adversely impacted by the macro factors outlined above, management expects that they will be able to achieve financial performance levels consistent with or slightly above 2016. Overall, management anticipates financial results of the Diversified segment to post strong year-over-year growth in the second half of 2017.

Real Estate

Mosaic's portfolio of commercial real estate properties is situated in smaller urban markets in Alberta and Saskatchewan. These markets are being directly impacted by the energy industry downturn, leading to elevated vacancy rates and reduced operating results. In the near to mid-term, management does not anticipate this business segment contributing significantly to Mosaic's overall financial performance.

Distributions, Dividends And Payout Ratios

As stated in "Developments" above, all of Mosaic's outstanding 10% Preferred Securities and Series A Shares were redeemed and private yield securities were retracted on February 10, 2017. Accordingly the distributions on these securities ceased effective that date.

Preferred Security Distributions

10% Preferred Securities and 6% Preferred Securities

Information regarding the distributions declared and paid to holders of 10% Preferred Securities and 6% Preferred Securities during the three and six months ended June 30, 2017 and the 2016 comparative period is set forth below. For the 2016 comparative periods the distributions only included the 10% Preferred Securities.

Under the DRIP, holders of 10% Preferred Securities who were residents of Canada and were participating in the DRIP had distributions relating to their 10% Preferred Securities reinvested in these securities. The difference between distributions declared and distributions paid in cash is related to securities that were purchased through the facilities of the TSX Venture Exchange to satisfy the DRIP. The DRIP allowed Mosaic to elect to have the 10% Preferred Securities purchased on the open market or issued from treasury. Due to the redemption of the 10% Preferred Securities on February 10, 2017, there was no DRIP participation during the three and six months ended June 30, 2017.

	2017			2016		
Record Date	Distributions Declared	Distributions net of DRIP	DRIP Participation(2)	Distributions Declared	Distributions net of DRIP	DRIP Participation(2)
January(1)	$ 988	$ 988	0%	$ 874	$ 677	23%
February(1)	718	718	0%	873	684	22%
March(1)	510	510	0%	873	683	22%
April(1)	493	493	0%	874	683	22%
May(1)	510	510	0%	901	709	21%
June(1)	493	493	0%	873	680	22%
	$ 3,712	$ 3,712	0%	$ 5,268	$ 4,116	22%

Notes:
(1) Since listing on the TSX Venture Exchange in May 2011, Mosaic elected to satisfy its obligations under the DRIP by purchasing preferred securities through the facilities of the TSX Venture Exchange rather than issuing preferred securities from treasury.
(2) Percentage of distributions on preferred securities with respect to which the holders of securities have elected to participate in the DRIP.

Private Yield Security Distributions

Distributions were payable monthly on the private yield securities issued and outstanding. Each private yield security entitled the holder to receive a distribution of $7.7083 per month or $92.50 per year, representing a yield of 9.25%.

For the three months and six months ended June 30, 2017, Mosaic declared distributions on private yield securities of $Nil (2016 - $614) and $269 (2016 - $1,227) respectively. Upon the retraction of the private yield securities on February 10, 2017, all distributions thereon ceased thereafter.

Common Share Dividends

The amounts and record dates of the dividends declared during 2017 and 2016 are as follows:

	2017 Dividends			2016 Dividends	
Record date	Per Share	Amount	Record date	Per Share	Amount
March 15, 2017	$ 0.105	$ 1,093	March 15, 2016	$ 0.10	$ 863
April 14, 2017	0.035	$ 368	June 15, 2016	$ 0.10	$ 863
May 15,2017	0.035	$ 371			
June 15,2017	0.035	$ 372			
Total	$ 0.210	$ 2,204	Total	$ 0.20	$ 1,726

Effective December 15, 2016, Mosaic instituted a dividend reinvestment plan (“DRIP”). Under the DRIP, holders of common shares who are residents of Canada and are participating in the DRIP will have dividends relating to their common shares reinvested in common shares. The DRIP allows Mosaic to elect to have the common shares purchased on the open market or issued from treasury to satisfy the obligations of the DRIP.

On February 23, 2017 Mosaic increased the common share dividend, on an annual basis, by 5% from $0.40 per annum to $0.42 per annum (the "Dividend Policy"). Effective April 2017, Mosaic changed the common share dividends payments from a quarterly basis to a monthly basis.

Series A Share Dividends

Dividends were payable monthly on Series A Shares issued and outstanding. Each Series A Share had a right to a dividend equal to the distribution declared on each 10% Preferred Security.

For Q2 2017, Mosaic declared dividends on Series A shares of $Nil (2016 - $22) and paid dividends on Series A Shares of $Nil (2016 - $22).

For the six months ended June 30, 2017, Mosaic declared dividends on series "A" shares of $Nil (2016 - $44) and paid dividends on Series A Shares of $Nil (2016 - $44).

Payout Ratios

As disclosed in Mosaic’s MD&A for the three months ended March 31, 2017, management has evaluated the material changes in Mosaic’s capital structure arising from the Fairfax Financing transaction and has amended the definition, calculation and use of Free Cash Flow. Refer to "Non-IFRS Financial Measures". Of note, the Free Cash Flow measure has been amended to also deduct cash financing costs. This change was made to reflect the Company’s capital structure which now contains 5% Debentures, Convertible Debentures and the Company’s potential increase in the use of interest bearing debt to support growth initiatives including 2017 Credit Facility and notes payable all of which will have a material impact on cash financing costs in the form of interest costs. This also impacts the Preferred Distribution Payout Ratio and Combined Payout Ratio which use the Free Cash Flow as an input.

Mosaic’s payout ratios have historically fluctuated significantly quarter to quarter due to the seasonality of some of its businesses, the effect of acquisitions and the raising of capital.

Management anticipates that the revisions to Mosaic’s capital structure in Q1 2017 (noted in “Developments” above), the deployment of capital into accretive acquisitions and organic growth opportunities within Mosaic's existing businesses will serve to reduce payout ratios.

The Preferred Distribution Payout Ratio and Combined Payout Ratio with the corresponding distributions and dividends for the periods indicated are as follows:

	Three months ended June 30,				Six months ended June 30,			
	2017	2017	2016	2016	2017	2017	2016	2016
Payout Ratios:								
Preferred Distribution Payout Ratio/distributions	88%	$ 1,496	91%	$ 3,284	100%	$ 3,981	101%	$ 6,539
Combined Payout Ratio/distributions and dividends	154%	$ 2,607	115%	$ 4,147	155%	$ 6,185	127%	$ 8,265
Share Information:		June 30, 2017				June 30, 2016		
10% Preferred Securities (face value per security $10)		-				10,476,998		
6% Preferred Securities (face value per security $10)		10,000,000				-		
Private Yield Securities (face value per security $1,000)		-				26,520		
Common Shares		10,273,232				8,345,657		
Convertible unsecured subordinated debentures		13,124				-		

The Preferred Distribution Payout Ratio decreased during six months ended June 30, 2017 over the comparative period in 2016 primarily as a result of (i) decrease in distributions due to the redemption of the 10% Preferred Securities and the retraction of the private yield securities in Q1 2017 and (ii) issuance of the 6% Preferred Securities in Q1 2017, partially offset by decrease in Free Cash Flow.

Over the past nine months there have been significant changes to Mosaic's capital structure. Furthermore, the capital structure change impacted the Company's equity based distributions/dividends policy. Prior to the Fairfax Financing, Mosaic's annual combined distribution/dividend was $16,505. As of June 30, 2017, the estimated go forward combined annual distribution/dividend policy is $10,315. Year-to-date, the Company has generated $3,983 in Free Cash Flow.

Mosaic believes that Free Cash Flow will improve significantly in the second half of fiscal 2017, which will serve to reduce the payout ratios, as certain of its operations were adversely impacted by localized challenges and Sustainable Capital Expenditures were larger than typical norms. Management, with our operating partners, has been focused on addressing certain localized challenges across its portfolio of operations and implementing its overall growth strategy including improving revenue levels and margins, exploring new markets and reducing operating expenses. Furthermore, Mosaic has invested over $9.0 million in strategic growth capital expenditures during the first half of 2017 and the third quarter is typically a stronger quarter for the Energy segment and construction-oriented businesses within the Infrastructure segment. Positive results have already been observed by management quarter-to-date and this trend is expected to continue through the remainder of the year.

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Financial Review And Discussion Of Operations

Mosaic – Consolidated

	June 30, 2017	Dec. 31, 2016
Cash and cash equivalents	$ 17,836	$ 24,938
Accounts receivable	77,962	66,954
Total current assets	110,296	101,819
Income-producing properties	11,586	11,683
Property held for development	425	985
Total non-current assets	197,688	174,111
Total assets	$ 307,984	$ 275,930
Operating loans	$ 3,178	$ 2,211
Current portion of notes payable	5,677	8,745
Credit facility	-	24,500
Total current liabilities	54,784	78,669
5% Debentures	46,800	-
Common share purchase w arrants	14,614	-
Convertible debentures	11,209	13,162
Notes payable	17,326	9,483
Credit facility	16,582	-
Total non-current liabilities	111,872	28,758
Total equity attributable to equity holders	141,328	168,503
Total liabilities and equity	307,984	275,930
Working capital	$ 55,512	$ 23,150
Current ratio	2.0	1.3

Selected income and expense information	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Revenue	$ 69,726	$ 48,270	$ 127,835	$ 88,514
Operating expenses	64,758	43,131	117,673	78,423
Operating income	1,290	3,167	3,563	6,371
Income before income taxes	6,645	3,385	7,202	6,493
Net income and comprehensive income	7,603	3,547	8,613	6,431
Net income and comprehensive income attributable to:				
Shareholders	$ 6,515	$ 2,201	$ 6,575	$ 4,205
Non-controlling interests	1,088	1,346	2,038	2,226
	$ 7,603	$ 3,547	$ 8,613	$ 6,431
Per share:				
Basic	$0.49	($0.13)	$0.27	($0.28)
Diluted	$0.43	($0.13)	($0.31)	($0.28)
Distributions and cash dividends declared:				
Common share dividends per share	$0.105	$0.10	$0.21	$0.20
Series A share dividends per share	$0.00	$0.25	$0.00	$0.50

Comparable Six-month Variance Analysis – By Segment

Segment	Notes	Revenue			Adjusted EBITDA		
		Six months ended June 30,			Six months ended June 30,		
		2017	2016	Variance	2017	2016	Variance
Infrastructure	1	$ 83,195	$ 65,019	$ 18,176	$ 5,833	$ 8,374	$ (2,541)
Diversified	2	39,163	19,570	19,593	8,009	3,254	4,755
Energy	3	5,186	3,340	1,846	834	483	351
Real Estate	4	291	585	(294)	(206)	330	(536)
Corporate	5	-	-	-	(3,858)	(2,314)	(1,544)
		$ 127,835	**$ 88,514**	**$ 39,321**	**$ 10,612**	**$ 10,127**	**$ 485**

Notes
(1) Revenue increase due to inclusion of new acquisitions, Bassi and Cedar, partly offset by declines in Ambassador, Place-Crete and SECON. Adjusted EBITDA decline due to reduced operating income of SECON, Place-Crete and Ambassador, partly offset by the inclusion of Bassi and Cedar.
(2) Revenue and Adjusted EBITDA increase due to inclusion of new acquisition Mackow and increased activity at Scaffold.
(3) Revenue and Adjusted EBITDA increase due to increased activity in Remote Waste's water treatment services business.
(4) Decrease in revenue and Adjusted EBITDA due to elevated vacancy rates.
(5) Increase in corporate expenses due to an increase in acquisition costs and costs associated with expanding Mosaic's executive and acquisition team to support the Company's growth strategy.

Infrastructure Segment (Ambassador, Place-Crete, Secon, Bassi And Cedar)

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Revenue	$ 43,248	$ 34,140	$ 9,108	+27%	$ 83,195	$ 65,019	$ 18,176	+28%
Operating expenses	40,923	30,424	10,499	+35%	77,362	56,645	20,717	+37%
Adjusted EBITDA	2,325	3,716	(1,391)	-37%	5,833	8,374	(2,541)	-30%

Revenue during three months and six months ended June 30, 2017 increased 27% and 28%, respectively, over the comparative periods in 2016 primarily due to the inclusion of revenue from Bassi (acquired effective December 1, 2016) and Cedar (acquired effective May 1, 2017), partly offset by declines in revenue at Ambassador, Place-Crete and SECON due to reduced contracting activity and increased price competition.

Adjusted EBITDA during three months and six months ended June 30, 2017 declined 37% and 30% over the respective comparative periods in 2016 primarily due to declines of activity and pricing within Ambassador, Plate-Crete and SECON. These declines were partly offset by the addition of the operating results of Bassi and Cedar for the current year periods.

Energy Segment (Allied Cathodic and Remote Waste)

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Revenue	$ 2,676	$ 1,624	$ 1,052	+65%	$ 5,186	$ 3,340	$ 1,846	+55%
Operating expenses	2,411	1,328	1,083	+82%	4,352	2,857	1,495	+52%
Adjusted EBITDA	265	296	(31)	-10%	834	483	351	+73%

The increase of 65% and 55% in revenue for three and six months ended June 30, 2017, respectively, was attributable primarily to increased activity levels in Remote Waste's water treatment services partially offset by reduced activity at Allied Cathodic.

Adjusted EBITDA increased 73% for the six months ended June 30, 2017 primarily due to the factors stated above for revenue increase, in Q2 2017 Adjusted EBITDA modestly declined 10% as the reduced activity at Allied Cathodic more than offset the increased activity at Remote Waste. Furthermore, low overall industry activity levels and excess service capacity has continued to keep downward pressure on pricing for services.

Diversified Segment (Kendall's Supply, Printing Unlimited, Industrial Scaffold And Mackow)

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Revenue	$ 23,677	$ 12,216	$ 11,461	+94%	$ 39,163	$ 19,570	$ 19,593	+100%
Operating expenses	18,826	9,870	8,956	+91%	31,154	16,316	14,838	+91%
Adjusted EBITDA	4,851	2,346	2,505	+107%	8,009	3,254	4,755	+146%

Revenue and Adjusted EBITDA during three months and six months ended June 30, 2017 increased primarily due to the inclusion of the operations of Mackow (acquired effective August 1, 2016) and increased activity at Industrial Scaffold.

Real Estate Segment (FWPLP and 50% of FWDLP)

The Real Estate segment contains property held for development, income-producing properties with aggregate net book values of $425 and $11,586 respectively and an investment in a joint venture with a carrying value of $3,090 as at June 30, 2017. The property held for development is vacant industrial land located in Estevan, Saskatchewan. The income-producing properties are commercial property located in Saskatoon, Saskatchewan ("Hanselman"), an industrial building in Estevan, Saskatchewan and an industrial warehouse in Fort McMurray, Alberta ("McMillan"). The joint venture is between FWPLP and Harbour Equity and is developing the Parker Industrial Park near Regina, Saskatchewan.

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Revenue	$ 125	$ 290	$ (165)	-57%	$ 291	$ 585	$ (294)	-50%
Operating expenses	293	155	138	+89%	497	255	242	+95%
Adjusted EBITDA	(168)	135	(303)	-224%	(206)	330	(536)	-162%

The decrease in Adjusted EBITDA during three months and six months ended June 30, 2017 as compared to the prior year periods was primarily due to high vacancy rates in the industrial building in Estevan and Saskatoon, Saskatchewan.

Corporate

Certain corporate expenses relate to Mosaic's involvement in the operational matters of its subsidiaries and are attributed to the Infrastructure, Energy, Diversified and Real Estate segments.

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Revenue	$ -	$ -	$ -	-	$ -	$ -	$ -	-
Operating expenses	2,305	1,354	951	+70%	4,308	2,350	1,958	+83%
Adjustment for acquistion and financing costs	(382)	(36)	(346)		(450)	(36)	(414)	
Adjusted EBITDA	(1,923)	(1,318)	(605)	-46%	(3,858)	(2,314)	(1,544)	-67%

Certain corporate expenses relate to Mosaic's involvement in the operational matters of its subsidiaries and are attributed to the Infrastructure, Energy, Diversified and Real Estate 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 increase in corporate expenses for three months and six months ended June 30, 2017 was primarily due to an increase in acquisition costs and costs associated with expanding Mosaic's executive and acquisition team to support the Company's growth strategy. On a percentage of total revenue basis, corporate expenses remained relatively consistent with the prior year periods.

Equity-based Compensation

Equity-based compensation is included in corporate expenses as reported in the Q2 2017 condensed interim consolidated financial statements.

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Securities-based compensation	$ 422	$ 223	$ 199	+89%	$ 217	$ 325	$ (108)	-33%

For the three months ended June 30, 2017, equity-based compensation increased as a result of the recent increase in senior corporate personnel who have larger portions of their total compensation tied to the Company's performance in the form of restricted share units and stock options. During the first quarter of 2017, adjustments were made between the allocation of cash versus equity-based compensation, which resulted in the net equity-based compensation decreasing as compared to the same period of 2016.

For Q2 2017, equity-based compensation had an impact on net income per common share of $0.04 (2016 - $0.03) per common share. For the six months ended June 30, 2017, securities-based compensation had an impact on net income per common share of $0.02 (2016 - $0.04) per common share.

Amortization And Impairment Of Assets

Amortization is recorded within all the segments as well as in corporate expenses.

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Amortization - income producing properties	$ 48	$ 48	$ -	0%	$ 97	$ 97	$ -	0%
Amortization - property plant and equipment	1,636	983	653	+66%	3,053	1,923	1,130	+59%
Amortization - intangibles	1,612	688	924	+134%	3,143	1,374	1,769	129%
Total	$ 3,296	$1,719	$ 1,577	+92%	$6,293	$3,394	$ 2,899	+85%

For Q2 2017, total amortization had an impact on net income per common share of $0.32 (2016 - $0.21) per common share. For the six months ended June 30, 2017, total amortization had an impact on net income per common share of $0.61 (2016 - $0.41) per common share.

The increase in amortization expense of property, plant and equipment and intangible assets (which include trade names, work force, customer relationships, backlog, employment agreements and non-compete agreements) was primarily driven by an increase in the respective asset bases resulting from Mosaic's recent acquisitions.

For Q2 2017 Mosaic's share of intangibles amortization was $0.12 per common share (2016 - $0.07). For the six months ended June 30, 2017 Mosaic's share of intangibles amortization was $0.23 per common share (2016 - $0.13).

Net Financing Costs

As a result of the recent changes in Mosaic's capital structure, net financing costs will be larger than historically experienced. For Q2 2017, net financing costs were $1,361 (Q2 2016 - $22) and year-to-date were $2,394 (2016 year-to-date - $65). The effective annual net financing cost (expressed as net financing costs divided by the average interest bearing debt outstanding for the period) was approximately 6.0% for the six months ended June 30, 2017.

Change In Fair Value Of Common Share Purchase Warrants

As part of the Fairfax Financing, the Company issued 17.0 million common share purchase warrants which contain a cashless exercise provision. As a result, the common share purchase warrants are treated as derivative liabilities and are measured at fair value at the end of each reporting period. The change of $6,804 and $5,941 for the three and six months ended June 30, 2017, respectively, is essentially all the result of the Company's common share market price declining since the last reporting date which decreases the derivative liability's fair value. This impact is non-cash.

Net Income And Comprehensive Income

	Three months ended June 30,				Six months ended June 30,			
	2017	2016	Change		2017	2016	Change	
Net income and comprehensive income attributable to shareholders	$ 6,515	$2,201	$ 4,314	+196%	$6,575	$4,205	$ 2,370	+56%
Mosaic's share of intangibles amortization	1,203	540	663	+123%	2,339	1,080	1,259	+117%
Net income and comprehensive income before intangibles amortization attributable to shareholders	$ 7,718	$2,741	$ 4,977	+182%	$8,914	$5,285	$ 3,629	+69%

Notes Payable And Summary Of Scheduled Payments

Notes payable include vehicle financing, equipment loans, term loans, leasehold improvement loans, finance leases and notes payable to holders of non-controlling interests. Payments of principal amounts owing are scheduled as follows:

	Principal Payments
2017	$ 3,197
2018	4,839
2019	6,825
2020	5,967
2021 and after	2,175
	$ 23,003

Non-Controlling Interests

Non-controlling interests consist of the capital contributions and accumulated earnings of the minority partners in significant subsidiaries of Mosaic, less distributions to minority partners in those entities.

During Q2 2017, $1,088 (2016 - $1,346) of Mosaic's net income was allocated to non-controlling interests and distributions of $1,546 (2016 - $1,206) were paid to holders of the non-controlling interests.

During the six months ended June 30, 2017, $2,038 (2016 - $2,226) of Mosaic's net income was allocated to non-controlling interests and distributions of $2,158 (2016 - $2,068) were paid to holders of the non-controlling interests.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected financial information for the last eight quarters. Readers should note that the following information is unaudited. Quarter-to-quarter comparisons of Mosaic's financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. See "Risk Factors".

The following summary of quarterly results reflects the continuing operations of the Company. The comparative periods reflect only the continuing operations from what was originally reported for the Company, which included the discontinued operations of Streamline and Polar. The discontinued operations are only included in the net income (loss) per share amounts in the bottom section of the table.

	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
From continuing operations								
Revenue	$ 69,726	$ 58,109	$ 50,859	$ 57,811	$ 48,270	$ 40,244	$ 48,432	$ 51,743
Adjusted EBITDA	5,350	5,262	3,299	7,051	5,175	4,952	4,264	5,613
Net income (loss) from continuing operations	7,603	1,010	(2,063)	3,179	3,547	2,884	3,046	3,210
Net income (loss) attributable to shareholders	$ 5,457	$ 60	$ (489)	$ 1,782	$ 2,201	$ 2,004	$ 1,887	$ 1,353
Net income (loss) per common share from continuing operations [(1)]								
Basic	$ 0.49	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ 0.02	$ (0.08)
Diluted	$ 0.43	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ 0.02	$ (0.08)
Net income (loss) per common share [(1)]								
Basic	$ 0.49	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ (0.16)	$ (0.23)
Diluted	$ 0.43	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ (0.16)	$ (0.23)

Notes:
(1) Net income (loss) from continuing operations and net income (loss) per common share are calculated after the declaration of distributions and dividends paid to the holders of preferred securities, Series A Shares and private yield securities.

Certain of the Company's subsidiaries experience seasonal and/or cyclical fluctuations in activity. However, acquisitions may be completed in any quarter which may materially impact consolidated quarterly results following their acquisition.

Capital Resources And Liquidity

Mosaic's primary capital resources available for financing its acquisitions and day-to-day operations are existing working capital, funds generated from the operations of its subsidiaries, and draws on its credit facilities.

Liquidity risk is the risk that Mosaic will not be able to meet its financial obligations as they are due. Mosaic's approach to managing liquidity risk is to prudently manage its financial position, cash generated from operations and credit facilities in such a manner so as to ensure it will have sufficient liquidity to pay its obligations when due. Mosaic's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and general economic conditions.

Management believes that Mosaic is presently able to meet its working capital requirements, including obligations as they become due, and currently knows of no reason why this should not continue to be the case throughout 2017.

Working Capital

As at June 30, 2017, Mosaic had working capital of $55,512 (December 31, 2016 - $23,150) and a current ratio of 2.0:1 (December 31, 2016 – 1.3:1). Included in the working capital as of June 30, 2017 was cash of $17,836 (December 31, 2016 - $24,938).

The primary uses of cash during Q2 2017 were $14,000 for Cedar acquisition, $2,209 for purchase of property, plant and equipment, $2,000 for repayment of credit facility, $4,700 for repayment of notes payable, $1,111 paid to common shareholders as dividends, and $1,546 for distributions paid to non-controlling interests. Cash provided by operating activities was $1,909. During Q2 2017, cash provided by proceeds from credit facility were $18,800, proceeds from operating loans were $1,025 and proceeds from exercise of stock options were $477.

The primary uses of cash during the six months ended June 30, 2017 were $14,000 for Cedar acquisition, $26,500 for repayment of credit facility, $3,558 for purchase of property, plant and equipment, $105,894 for redemption on 10% Preferred Securities, $26,789 for retraction on private yield securities, $893 for redemption on Series A Shares, $1,269 for security transaction costs, $2,022 for final distributions on 10% Preferred Securities, $1,068 for distributions on 6% Preferred Securities, $300 for restricted security unit purchases, $6,547 for repayment of notes payable, $2,204 paid to common shareholders as dividends, $2,158 for distributions paid to non-controlling interests, and $473 paid as final distributions to private yield security holders. Cash provided by operating activities was $487. During the six months ended June 30, 2017, cash provided by proceeds from issuance of 6% Preferred Securities, 5% Debentures and Subscription Privileges were $100,000, $50,000 and $15,193 respectively, proceeds from credit facility $18,800, proceeds from operating loans $1,025, proceeds for distributions received from joint venture $633 and proceeds from exercise of stock options were $477.

Credit Facilities and Operating Loans

Mosaic's available credit facilities are comprised of a committed revolving acquisition and operating facility as well as operating loans and credit facilities within Mosaic's subsidiaries.

Mosaic and its subsidiaries are in compliance with all bank covenants as at June 30, 2017.

Mosaic

The 2017 Credit Facility, as amended June 30, 2017, is a $50,000 revolving committed credit facility for the purposes of acquisitions, day to day operating requirements and capital expenditures, with $15,000 of the facility availability subject to completion future acquisitions. The 2017 Credit Facility is for a three-year term, bearing interest at rates ranging from prime plus 0.50% - 1.50%. The 2017 Credit Facility is secured by, among other things, general security agreements granted by Mosaic and certain of its subsidiaries together with the assignment of securities that Mosaic holds in certain subsidiaries as well as guarantees granted by certain of Mosaic's subsidiaries. As at June 30, 2017, Mosaic had drawn $16,582 (December 31, 2016 - $24,500) on the 2017 Credit Facility.

The 2017 Credit Facility replaced a credit facility which Mosaic had with the same financial institution dated May 20, 2014 (the “2014 Credit Facility”) and subsequently amended on August 2, 2016 and September 19, 2016.

The 2017 Credit Facility contains certain financial covenants stating that Mosaic will not at any time, without prior written consent, breach the any of the following covenants: (i) permit the ratio of net funded debt to EBITDA to exceed 3.00:1; (ii) permit the fixed charge coverage ratio ("FCCR") to be less than 1.10:1; (iii) permit the ratio of total debt to gross EBITDA to exceed 3.00:1; (iv) permit the ratio of aggregate subsidiary net funded debt to aggregate subsidiary EBITDA to exceed 0.50:1.

FCCR is calculated as fixed charges, which include distributions on preferred securities, distributions on private yield securities, dividends on common shares, dividends on Series A Shares, interest expense and repayment of notes payable divided by EBITDA on a rolling twelve month basis, including proforma EBITDA for subsidiaries acquired within the year ending at the covenant test date. EBITDA is defined as net income before interest expense, taxes and extraordinary items, plus amortization, plus all non-cash charges, less EBITDA attributable to minority interests. Total funded debt is defined as all indebtedness for borrowed money which includes the 2017 Credit Facility, all outstanding obligations to other financial institutions, all lease obligations, convertible debentures and all current and future vendor take-back obligations. Net funded debt is defined as total funded debt less net cash balance.

Summary of Credit Facility covenants as at June 30, 2017:

	Covenant	As calculated	Compliant
Net funded debt : EBITDA	< 3.00	1.89	Yes
Total debt : Gross EBITDA	< 3.00	1.82	Yes
FCCR	> 1.10	1.32	Yes
Aggregate subsidiary net funded debt to EBITDA	< 0.50	0.39	Yes

It is management's view that the detailed calculations of the 2017 Credit Facility covenants provides investors with important information on assessing the Company's liquidity position and risks relating to its financial instruments. Below is a detailed calculation of the Credit 2017 Facility covenants for the period ended June 30, 2017:

Net Funded Debt to EBITDA

Debt	-	Notes		
Operating loans			$	3,178
Credit Facility				16,582
Notes payable	Current portion			5,677
Notes payable	Long-term portion			17,326
Convertible debentures	Debt portion			11,209
	Equity portion			814
Total Debt			**$**	**54,786**
Less net cash		(1)		14,631
Net Funded Debt			**$**	**40,155**

EBITDA				
	Gross	(1)	**$**	**30,043**
	Mosaic Share ("Net")	(1)	**$**	**21,224**

Covenant calculation		Net funded debt to Net EBITDA	Total Debt To Gross EBITDA
Ratio		1.89	1.82
Covenant	(1)	3.00	3.00
	(1)	*Defined in amended 2017 Credit Facility*	

Fixed Charge Coverage Ratio (FCCR)

Cash Flow (as defined in credit facility):	***Notes***	
EBITDA - Mosaic share	(1)	21,224
less: Mosaic unfunded sustaining capex -100%		-
less: Mosaic cash taxes - 100%		(1,048)
Total Cash flow		20,176
Fixed Charges (as defined in credit facility):		
Preferred security distributions		9,828
Private yield securities distributions		1,495
Common share dividends		3,933
Series "A" dividends		44
Interest expense		3,140
Repayment of notes payable		5,695
Less: Net consolidated cash on hand	(1)	(8,816)
		15,319
Fixed Charge Ratio		1.32
Covenant		1.10
	(1)	*Defined in amended 2017 Credit Facility*

Ambassador

Ambassador has a revolving demand credit facility with a Canadian financial institution, which may be drawn in an amount equal to the lesser of $3,000 or the combined value of eligible assigned accounts receivable and inventories. Borrowings under the facility are secured by a first charge on all assets of Ambassador. Interest is charged at the institution's prime rate plus 0.5%. No amounts are drawn under the facility as of June 30, 2017 (December 31, 2016 - $nil).

Ambassador is subject to the following financial covenants which are tested annually as of December 31:

Cash flow available for debt servicing is to be 1.25 or greater.

The debt to net worth ratio is to be 2.5:1 or less.

Cash flow is defined as earnings before interest, taxes, depreciation and amortization ("EBITDA") on a rolling twelve month basis divided by principal debt repayments on a rolling twelve month basis.

Debt consists of total liabilities of Ambassador. Net worth is defined as share capital, retained earnings, and contributed surplus.

Industrial Scaffold

Industrial Scaffold has a $4,000 revolving term credit facility and a $750 non-revolving term facility with a Canadian chartered bank secured by a general security agreement and an assignment of Industrial Scaffold's assets.

Borrowings under the revolving facility are due on demand, bear interest at the bank's prime rate plus 1.0% and must not exceed 75% of eligible accounts receivable. $1,025 were drawn under this facility as of June 30, 2017 (December 31, 2016 - $nil).

Borrowings under the non-revolving facility bear interest at 3.32% (2016 – 3.32%) and are repayable in blended monthly payments over a 60-month period. No amounts are drawn under this facility as of June 30, 2017 (December 31, 2016 - $nil).

While these credit facilities are outstanding Industrial Scaffold must maintain a ratio of total consolidated liabilities to tangible net worth of not greater than 1.50:1, tested annually as of December 31. Total consolidated liabilities is defined as all liabilities, exclusive of deferred tax liabilities. Tangible net worth is defined as total equity less intangibles, deferred charges, leasehold improvements, deferred tax credits and unsecured advances to related parties.

FWPLP

FWPLP has two credit facilities with a Canadian chartered bank, (i) a non-revolving demand facility in the amount of $2,258 (the "Demand Facility"), and (ii) a term loan in the amount of $535 (the "Term Loan"). As of June 30, 2017, $2,153 (December 31, 2016 - $2,211) and $433 (December 31, 2016 - $442), respectively, was outstanding under these facilities.

The Demand Facility relates to an income-producing commercial property in Saskatoon, Saskatchewan. This facility bears interest at the bank's prime plus 1.0% with principal and interest payable monthly based on a 20 year amortization schedule. Borrowings under the facility are secured by a general security agreement and a demand collateral mortgage both in respect of the Saskatoon property. The Term Loan is to provide term financing for a land development project based in Estevan, Saskatchewan. This loan bears interest at the bank's prime plus 1.0% with principal and interest payable monthly based on a 20 year amortization schedule. Borrowings under the Term Loan are secured by a general security agreement and a demand collateral mortgage both in respect to the Estevan property.

FWPLP must maintain a debt service coverage ratio of not less than 1.35:1, calculated as of December 31 each year based upon the annual net operating income generated by both properties in relation to the principal and interest payments under both facilities.

Place-Crete

Place-Crete has a $4,000 revolving operating loan facility and a $500 hedging facility with a Canadian chartered bank secured by a general security agreement over all of the assets of Place-Crete.

Borrowings under the revolving facility are due on demand and must not exceed 75% of accounts receivable. Borrowings under this credit facility bear interest at the bank's prime rate plus 0.75%. Borrowings under the hedging facility are due on demand. No amounts are drawn under either facility as of June 30, 2017 (December 31, 2016 - $nil).

The facility requires Place-Crete to maintain a minimum effective equity of $4,000 or more as of December 31. Minimum effective equity is defined as shareholders' equity, plus all postponed debt less intangibles and amounts due to/from investments in related parties.

SECLP

SECLP has a $6,000 operating loan facility and a $4,000 revolving term facility with a Canadian chartered bank secured by a general security agreement and an assignment of SECLP's assets.

The operating loan facility is a three-year term facility. Borrowings under this facility bear interest at the bank's prime rate plus 0.50%, are due on demand and must not exceed 75% of accounts receivable. The revolving facility bears interest at a rate to be determined at the time of borrowing and repayment is over 60 months from the date of each drawdown. No amounts are drawn under either facility as of June 30, 2017 (December 31, 2016 - $nil).

SECLP is subject to the following financial covenant with respect to these facilities:

Debt service coverage of not less than 120% to be maintained on a rolling four quarter basis.

The debt service coverage is calculated as EBITDA plus rental income less net capital expenditures divided by principal plus interest. Net capital expenditures is defined as capital purchases less capital sales less all financing pertaining to such capital purchases.

Core

Core has a $800 operating loan facility and a $1,500 revolving term facility with a Canadian chartered bank secured by a general security agreement and an assignment of Core's assets.

Borrowings under the operating loan facility bear interest at the bank's prime rate plus 0.50%, are due on demand and must not exceed 75% of accounts receivable. No amounts are drawn under this facility as June 30, 2017 (December 31, 2016 - $nil). Borrowings under the revolving term facility bear interest at a rate to be determined at the time of borrowing and repayment is over 48 months from the date of each drawdown. As at June 30, 2017, Core had drawn down $671 on the facility (December 31, 2016 - $485).

Core is subject to the following financial covenants with respect to these facilities:

Debt to tangible net worth shall be no greater than 2.50:1 to be tested annually as of December 31.

Debt is defined as total indebtedness less loans made by the shareholders. Tangible net worth is defined as shareholder's equity plus loans made by the shareholders, less loans to its shareholders, employees and other related parties and less intangible assets including goodwill.

Debt service coverage of not less than 120% to be maintained on an annual basis as of December 31st.

The debt service coverage is calculated as EBITDA less net capital expenditures divided by principal plus interest. Net capital expenditures is defined as capital purchases less capital sales less all financing pertaining to such capital purchases.

Bassi

Bassi has a $2,000 operating loan facility with a Canadian chartered bank secured by a general security agreement and an assignment of Bassi's assets. Borrowings under the facility are due on demand and bear interest at the bank's prime rate plus 0.75%. As of June 30, 2017, Bassi had not drawn on the facility (December 31, 2016 - $nil).

The facility requires Bassi to maintain tangible net worth of at least $2,000. Tangible net worth is defined as shareholders equity plus related loans formally postponed in favor of the bank; less long term receivables, including the current portion thereof; loans to employees, shareholders and other related parties; and intangible assets.

Capital Requirements

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.

Management may decide to incur additional discretionary capital expenditures in order to continue to grow Mosaic's businesses.

Capital Expenditures

Management characterizes capital expenditures as either Sustaining Capital Expenditures or growth capital expenditures. Sustaining Capital Expenditures are those required to sustain the operations of Mosaic at its current level. Growth capital expenditures are incurred to grow the Company and are expected to generate additional Adjusted EBITDA.

Sustaining Capital Expenditures

Sustaining Capital Expenditures for the period ended June 30, 2017 have been incurred primarily in the Infrastructure, Energy, and Diversified segments and consisted primarily of equipment and vehicles purchased for ongoing operations. The Sustaining Capital Expenditures will vary from period to period based on the timing of events and needs of the Company's subsidiaries.

Growth Capital Expenditures

All of the growth capital expenditures for the period ended June 30, 2017 have been incurred in the Infrastructure, Energy, and Diversified segments.

	Three months ended June 30			Six months ended June 30		
	2017	2016	Change	2017	2016	Change
Growth capital expenditures						
Acquisitions	$ 585	$ -	$ 585	$ 585	$ -	585
Additions	6,339	918	5,421	8,776	1,235	7,541
Total growth capital expenditures	6,924	918	6,006	9,361	1,235	8,126
Sustaining Capital Expenditures	1,427	97	1,330	1,771	503	1,268
Total capital expenditures	$ 8,351	$ 1,015	$ 7,336	$ 11,132	$ 1,738	$ 9,394

Largely driven by the Diversified segment's (Mackow) expansion into the US (Fargo, ND)

Commitments And Contingent Liabilities

Mosaic has commitments under operating leases for office and shop space and equipment as well as commitments to pay contingent consideration in relation to its business combinations. Amounts to be paid in relation to these are approximately as follows:

Year	Amount
2017	$ 1,989
2018	3,095
2019	3,095
2020	2,203
2021 and after	3,038
	$ 13,420

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 results of operations 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.

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	Fair value
Accounts receivable and deposits	Amortized cost
Contingent consideration	Fair value
Accounts payable and accrued liabilities, dividends payable, notes payable, income taxes payable, security deposits and operating loans	Amortized cost

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. Mosaic does not hold or use any derivative instruments.

The carrying values of the financial instruments are considered to approximate their fair values due to their short-term nature.

Fairfax Private Placement Financing

The 5% Debentures and Warrants issued under the Fairfax Financing are financial instruments. Furthermore the 5% Debentures, Warrants and 6% Preferred Securities were recorded at fair value upon issue. The valuation of these three instruments was based on a residual value methodology whereby the 5% Debentures and 6% Preferred Securities were valued first as valuation inputs are more readily observable. Mosaic used discount rates of 6.3% and 7.3%, respectively, in arriving at the fair value for the 5% Debentures of $46,633 and $82,395 for the 6% Preferred Securities, net of transaction costs. These discount rates are considered to be reasonable in the circumstances taking into consideration the implied fair value of the Warrants using the residual value methodology. Accordingly, the Warrants were valued as $20,555 calculated as the total proceeds of the Offering ($150,000) minus the fair value of the 5% Debenture and the 6% Preferred Securities.

5% Debentures

The $50,000 of 5% Debentures have a face value of $1,000 per 5% Debenture. The 5% Debentures bear interest at a rate of 5% per annum, mature on January 26, 2024, are not redeemable before maturity and are secured by 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 Canadian financial institution. Mosaic incurred $139 in transaction costs.

The 5% Debentures contains a financial covenant that total debt to gross EBITDA will not exceed 2.50 : 1.00 without prior written consent. Total debt is defined to include consolidated bank debt, convertible debentures, capital lease obligations, equipment financing obligations, vendor take-back notes and other commercial notes, all to the extent they rank in priority to the 5% Debentures. Gross EBITDA is defined as gross earnings before interest, taxes, depreciation and amortization. Mosaic is in compliance with this covenant as at June 30, 2017.

6% Preferred Securities

The $100,000 of 6% Preferred Securities have a face value of $10 per security. The 6% Preferred Securities bear interest at a rate of 6% per annum and are unsecured obligations of Mosaic subordinate to all liabilities of Mosaic, excluding obligations specifically subordinated to the 6% Preferred Securities. The 6% Preferred Securities rank senior to Mosaic's existing 7% convertible unsecured senior subordinated debentures. Mosaic incurred $277 in transaction costs.

The 6% Preferred Securities are not redeemable by Mosaic before January 26, 2022 (the "Call Date"). After the Call Date, the 6% Preferred Securities may be redeemed at the option of Mosaic at a price per 6% Preferred Security equal to the greater of: (i) $10 per preferred security; and (ii) the ten-day volume weighted average trading price of the 6% Preferred Securities.

Warrants

The Warrants will be 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 loss and comprehensive loss for the period. In determining the fair value of the shareholder warrants, the Company used an 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 warrant. The inputs used in the option pricing model are taken from observable market data.

In determining the fair value of the Warrants as at June 30, 2017, the Company used an option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 1.50%; liquidity discount of 20%; and expected life of 6.6 years. The value of $14,614 was established on June 30, 2017 and the Warrants will be subsequently revalued at the end of each reporting period utilizing an option pricing model. This revaluation as of June 30, 2017 resulted in a change in fair value of $5,941.

Management intends to assess the appropriateness of the assumptions used in determining fair value of the Warrants for future reporting periods.

In addition to liquidity risk discussed above under the heading "Capital Resources and Liquidity", Mosaic has credit and interest rate risks associated with its financial instruments as follows:

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 and tenants. Mosaic's accounts receivable are due from a wide range of customers and tenants 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.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The notes payable bear a fixed interest rate, and are not exposed to interest rate risk. Mosaic is exposed to interest rate risk to the extent that some of its borrowings are at floating rates.

The sensitivity in net income for each 1% change in annual interest rates on floating rate debt obligations outstanding as at June 30, 2017 is approximately $198.

Off-Balance Sheet Arrangements

Mosaic has no off-balance sheet arrangements.

Related Party Transactions

Rent of $526 for the three months ended June 30, 2017 (June 30, 2016 - $198) and $1,052 for the six months ended June 30, 2017 (2016 - $396) for space occupied by certain of Mosaic's subsidiaries was paid to entities controlled by minority partners within Mosaic's subsidiaries. These leasing arrangements were made at normal commercial terms.

Related party transactions are in the normal course of operations and are recorded at fair value.

There were no amounts outstanding to or from related parties as of June 30, 2017 (December 31, 2016 $nil).

Securities Data

As at August 14, 2017, the following are numbers of securities or principal amount of Mosaic's issued and outstanding securities:

Designation of Class	Number Outstanding		Principal Amount	
Common shares	10,570,313	(1)		
Stock Options	444,752	(2)		
Restricted Securities Units – common shares (CS-RSUs)	325,484	(3)		
7% Convertible Unsecured Senior Subordinated Debentures			$13,124	(4)
Warrants	17,026,106	(5)		
5% Senior Secured Debentures			$50,000	
6% Senior Preferred Securities			$100,000	

Notes:

(1) As at June 30, 2017, 283,526 common shares had been purchased and were being held by the trustee under the Mosaic equity-based compensation plan for the benefit of the plan participants. Common shares reported under the heading "Financial Highlights" herein as 10,277,232 represents the total common shares outstanding (10,563,758 - as at June 30, 2017), less the common shares held in trust.

(2) Each Stock Option may be exercised for one common share. The weighted average exercise price of the stock options currently outstanding is $6.60 per share.

(3) Each CS-RSU may be settled for one underlying common share.

(4) Represents the principal amount outstanding. The Convertible Debentures are convertible into approximately 111.11 common shares per $1 principal amount.

(5) Issued pursuant to the Fairfax Financing, entitling Fairfax to acquire up to 17,026,106 common shares of Mosaic at a price of $8.81 per common share until January 26, 2024

Critical Accounting Estimates And Judgments

The timely preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Accordingly, actual results may differ from these estimates, which are reviewed on an ongoing basis. A full discussion of Mosaic's critical judgements and accounting estimates is included in its 2016 annual audited consolidated financial statements.

This MD&A of the Company's financial condition and results of operations is based on the financial statements which are prepared in accordance with IFRS. The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgments, estimates and underlying assumptions are reviewed on a continuous basis and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although care has been taken, anticipating future events cannot be done with certainty, therefore actual results may vary from these estimates over time as more accurate information is available and as the Company's operating environment changes. The critical accounting estimates and judgments are described in detail in Note 2 of Mosaic's audited consolidated financial statements for the years ended December 31, 2016 and 2015 and in the condensed interim consolidated financial statements for the three and six months ended June 30, 2017 and 2016.

Accounting Policies

There have been no changes in accounting policies in the six months ended June 30, 2017.

The accounting policies of Mosaic used in the determination of the results for the three and six months ended June 30, 2017 are described in detail in Note 3 of Mosaic's audited consolidated financial statements for the years ended December 31, 2016 and 2015. These policies have been applied in preparing the financial statements for the three and six months ended June 30, 2017 and 2016 and the comparative information presented in the financial statements for the year ended December 31, 2016.

Future Accounting Standards

Standards that are issued but not yet effective and that the Company reasonably expects to be applicable at a future date are listed below.

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 was issued in November 2009 and is intended to replace IAS 39 – Financial Instruments Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

A finalized version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Mosaic plans to adopt the new standard on the required effective date, and is currently assessing the effect of IFRS 9 on its financial results and financial position.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the related interpretation when it becomes effective. Under IFRS 15, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to recognize revenue when the performance obligation is satisfied. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. Mosaic is developing a transition plan to implement IFRS 15. The Company has concluded on a preliminary basis to use the modified retrospective approach on transition date, in which a cumulative catch-up adjustment will be recorded through equity upon initial adoption. Additionally, management continues to monitor international developments of the standard as a component of our impact evaluation.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 - Leases. Application is required for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Mosaic is currently developing a transition plan to identify leasing contracts to determine the impact that the adoption of IFRS 16 may have on its financial statements.

RISK FACTORS

An investment in, and the businesses and operations of, Mosaic, are subject to a number of risks and uncertainties in the normal course of business. Such risks and uncertainties could have a negative effect on the Company's financial condition or results of operations. Mosaic has identified significant risks that Mosaic is aware of in the most recent AIF under the heading "Risk Factors" therein. Mosaic's AIF is available under Mosaic's profile at www.sedar.com or under the investors section of Mosaic's website at www.mosaiccapitalcorp.com.

Forward-Looking Information

This MD&A contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "forward-looking statements") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking statements. All information and statements in this MD&A which are not statements of historical fact may be forward-looking statements. Such statements and information may be identified by looking for words such as "may", "believe", "could", "expect", "will", "intend", "should", "plan", "objective", "predict", "potential", "project", "anticipate", "estimate", "continuous" or similar words or the negative thereof or other comparable terminology, including references to assumptions. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: the business strategy and objectives of Mosaic; Mosaic's management of acquisition risks; Mosaic's belief that its capital resources position will enable it to capitalize on future opportunities as they arise; the outlook of Mosaic's and its subsidiaries' businesses; Free Cash Flow will improve significantly in the second half of 2017; positive results quarter to date and predominately through remainder of 2017; management's belief that Mosaic's recent significant acquisitions will provide positive diversification benefits; the anticipated economic activity in western and eastern Canada; management's expectation regarding the financial performance of the Infrastructure, Energy, Diversified and Real Estate business segments during the second half of 2017; management's continued focus on managing costs and maintaining margins with respect to its businesses in the Energy segment; management's expectation that Mackow will be most significant contributor to the Diversified business segment; the intention and ability of Mosaic to pay monthly dividends on its common shares; management's expectation that the revisions to Mosaic’s capital structure in Q1 2017, the deployment of capital into accretive acquisitions and organic growth opportunities will serve to reduce payout ratios; anticipated reduction in annual distributions to security holders resulting from the Fairfax Financing; management's belief that Free Cash Flow will improve significantly in the second half of 2017; management's expectation that the third quarter will provide a stronger quarter for both the Energy and Infrastructure business segments; the management's belief that Mosaic will be able to continue to meet its working capital requirements; terms of the 2017 Credit Facility; the terms of banking facilities made available to the Company's subsidiaries; the anticipated completion of acquisitions using uncommitted internal capital resources and debt or equity financing as available; the expectation that the Warrants will be fair-valued as at each reporting period; management’s intention to assess the appropriateness of assumptions used in determining the fair value of the Warrants for future reporting periods; future accounting standards; 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; the reduction in Mosaic’s overall cost of capital and positive impact on annual cash flow resulting from the Fairfax Financing; Mosaic's ability to fund the distribution payable on its 6% senior preferred securities, 5% secured debentures and convertible debentures as well as Mosaic's ability to meet its current and future obligations to lenders or otherwise; and Mosaic's ability to execute its growth strategy.

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 anticipated number of business owners to exit their businesses over the next ten years; 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; critical accounting estimates; 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; management's belief that the pipeline of high quality and economically diverse acquisition opportunities will continue to be robust; the continuation of executive and operating management or the non-disruptive replacement of them on competitive terms; the ability of Mosaic to maintain reasonably stable operating, maintenance and general administrative expenses; the current economic environment in western Canada (including commodity prices, such as oil prices) stabilizing; the economic condition in Canada not deteriorating due to the influence of international economic developments in the United States, Europe, Asia and elsewhere; and continuing solid long-term growth fundamentals in the North American mass transportation market.

Forward-looking statements reflect current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the risks related to: economic and political conditions; fluctuations in commodity prices; lack of diversification; competition for acquisition candidates; the failure to identify, acquire and develop suitable acquisition targets; insufficient cash flows from subsidiaries; the inability to generate sufficient cash flow from operations to meet current and future obligations; the inability to obtain required debt and/or equity capital on acceptable terms or at all; unknown liabilities within acquired businesses; failure to realize benefits of acquisitions; the loss of key personnel; changes in tax law or other adverse tax consequences; changes in laws or regulations or the interpretation thereof; legal proceedings against Mosaic; potential conflicts of interest of directors and officers; impairment charges in goodwill or other intangible assets; cyber-attacks or other breaches of information technology security; no guarantee of future dividend payments on its common shares or interest payments on its 6% senior preferred securities or 5% secured debentures; no guarantee of repayment of the principal outstanding under the Mosaic’s convertible debentures or 5% secured debentures; subordination and ranking of Mosaic’s 5% secured debentures, 6% senior preferred securities and convertible debentures; prevailing yields on similar securities; the lack of redemption rights attached to the 6% senior preferred securities; the lack of shareholder rights of holders of Mosaic’s 5% secured debentures, 6% senior preferred securities and convertible debentures; the inability of Mosaic to repurchase the 5% secured 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 6% senior 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; lack of diversity of customer base; 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; weakness in the commercial property market in target markets; uncertainties relating to the ability to move development land through the development and regulatory approval process in a timely manner; inability of tenants to fulfill lease obligations; fixed costs of ownership of real property; and environmental liabilities. A description of these and other factors can be found under the heading "Risk Factors".

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.