



MOSAIC CAPITAL

Management's Discussion and Analysis
For the Six Months Ended June 30, 2016

Dated: August 12, 2016

"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.**

Adjusted EBITDA: is defined as income from continuing operations before income taxes and before (i) gain (loss) on sale of equipment, (ii) non-cash income and expenses, (iii) finance income and expenses, (iv) securities-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 current income tax expense and (iii) 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, and dividends to holders of series "A" shares and common shares, (ii) investment in capital expenditures made to grow the enterprise 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 dividing: (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, 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, 2016.

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 12, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Mosaic for the six months ended June 30, 2016, the audited consolidated financial statements for the year ended December 31, 2015 and the Company's Annual Information Form ("**AIF**") for the year ended December 31, 2015. 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 on SEDAR at www.sedar.com and on the company's website www.mosaiccapitalcorp.com.

DISCONTINUED OPERATIONS

During Q4 2015, the Company sold Streamline and Polar which were part of the Energy segment. As a result of these transactions, the Company's prior period results are presented with the financial results of Streamline and Polar segregated in the Company's condensed interim consolidated statement of income and comprehensive income as discontinued operations. This comparative period segregated presentation allows the reader to separate and differentiate the Company's subsidiaries, which continue to operate, from those of Streamline and Polar. In accordance with IFRS, the Company's comparative condensed interim consolidated statement of financial position for June 30, 2015 includes the net assets of Streamline and Polar. The Non-IFRS Financial Measures discussed in this MD&A exclude the results of discontinued operations for 2015.

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FINANCIAL HIGHLIGHTS

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

	2016	per common share (basic)	per common share (diluted)	2015	per common share (basic)	per common share (diluted)
For the three months ended June 30						
		(6)	(6)		(6)	(6)
Revenue	\$ 48,270	5.78	5.37	\$ 43,738	5.30	5.03
Adjusted EBITDA ⁽¹⁾	5,175	0.62	0.58	5,313	0.64	0.61
Net income and comprehensive income attributable to shareholders ⁽²⁾	2,201	(0.13)	(0.13)	656	(0.32)	(0.32)
Net income and comprehensive income before intangibles amortization attributable to shareholders ⁽⁴⁾	2,741	(0.06)	(0.06)	1,661	(0.20)	(0.20)
Free Cash Flow ⁽¹⁾	3,570	0.43	0.40	3,473	0.42	0.40
Change in Free Cash Flow per common share		+2%	0%			
Preferred distributions declared ⁽³⁾	3,284			3,264		
Common share dividends declared	863	0.10	-	858	0.10	-
Preferred Distribution Payout Ratio ⁽¹⁾	92%			94%		
Combined Payout Ratio ⁽¹⁾	116%			119%		
For the six months ended June 30						
Revenue	\$ 88,514	10.61	9.85	\$ 82,154	9.95	9.44
Adjusted EBITDA ⁽¹⁾	10,127	1.21	1.13	10,021	1.21	1.15
Net income and comprehensive income attributable to shareholders ⁽²⁾	4,205	(0.28)	(0.28)	678	(0.67)	(0.67)
Net income and comprehensive income before intangibles amortization attributable to shareholders ⁽⁴⁾	5,285	(0.15)	(0.15)	2,802	(0.41)	(0.41)
Free Cash Flow ⁽¹⁾	6,554	0.79	0.73	6,831	0.83	0.79
Change in Free Cash Flow per common share		-5%	-8%			
Preferred distributions declared ⁽³⁾	6,539			6,162		
Common share dividends declared	1,726	0.20	-	1,691	0.20	-
Preferred Security Payout Ratio ⁽¹⁾	100%			90%		
Combined Payout Ratio ⁽¹⁾	126%			115%		
Rolling twelve-month Adjusted Return on Common Equity ⁽¹⁾		-2%			33%	
FINANCIAL POSITION						
		June 30, 2016			December 31, 2015	
Cash and cash equivalents	\$	27,055		\$	39,854	
Working capital		56,219			60,403	
Property, plant & equipment		20,963			21,399	
Total assets		194,254			202,301	
Operating loans		2,397			2,257	
Shareholders' equity		158,336			162,929	
SHARE INFORMATION						
		June 30, 2016			December 31, 2015	
Common shares ⁽⁵⁾		8,345,657			8,359,189	
Preferred securities (face value per security \$10) ⁽⁵⁾		10,476,998			10,487,720	
Private yield securities (face value per security \$1,000)		26,520			26,520	

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". Non-IFRS Financial Measures discussed above exclude the results of discontinued operations for the 2015 comparative period.
- (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 6 in the Q2 2016 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) Pursuant to the Q4 2015 divestitures of Streamline and Polar, the results from operations of those entities for Q2 2015 have been segregated as loss (income) from discontinued operations (see note 15 in the Q2 2016 condensed interim consolidated financial statements of Mosaic). Previously issued Q2 2015 condensed interim consolidated financial statements included these entities' results in net income from continuing operations. Adjusted EBITDA, Free Cash Flow, Adjusted Return on

Common Equity, Preferred Distribution Payout Ratio and Combined Payout Ratio exclude the results of discontinued operations for the 2015 comparative period.

Q2 Consolidated Financial Highlights

During Q2 2016, revenue increased 10% or \$4,532 to \$48,270 when compared to Q2 2015, primarily due to increased revenue in the Infrastructure and Diversified segments, partially offset by decreased revenues from the Energy segment.

Adjusted EBITDA during Q2 2016 decreased 3% or \$138 to \$5,175 when compared to Q2 2015, primarily due to declines in operating margins within existing businesses in the Energy and Infrastructure segments, partially offset by increased operating margins in some of the businesses in the Diversified segment.

Free Cash Flow during Q2 2016 increased 3% or \$97 to \$3,570 when compared to Q2 2015, due primarily to reduced current income taxes and a reduction of Sustaining Capital Expenditures.

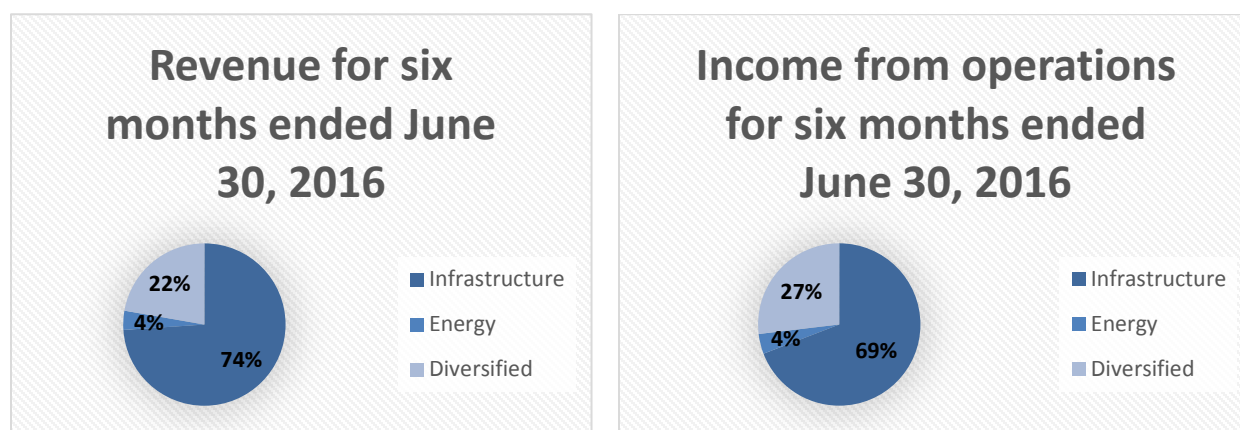
Six-month Consolidated Financial Highlights

During the six months ended June 30, 2016, revenue increased 8% or \$6,360 to \$88,514 when compared to the six months ended June 30, 2015, primarily due to the factors stated above for Q2 2016.

Adjusted EBITDA for the six months ended June 30, 2016 increased 1% or \$106 to \$10,127 when compared to the six months ended June 30, 2015, primarily due to increased operating margins in some of the businesses in the Diversified and Infrastructure segments, partially offset by increased corporate personnel costs and declines in operating margins in existing businesses in the Energy segment. The Energy segment continues to be impacted by the industry's downturn.

Free Cash Flow during six months ended June 30, 2016 decreased 4% or \$277 to \$6,554 when compared to six months ended June 30, 2015 due to these same factors.

Revenue and income from operations breakdown by segment for the six months ended June 30, 2016 is as follows:



*Revenue and income from operations 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 from continuing operations 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, (Note 2)		Six months ended June 30, (Note 2)	
	2016	2015	2016	2015
	Income from continuing operations before income taxes	\$ 3,385	\$ 3,688	\$ 6,493
Amortization	1,719	2,320	3,394	4,709
Accretion	-	1	-	4
Securities-based compensation	223	159	325	694
Acquisition and financing costs	36	45	36	60
Share of joint venture (income) loss	(240)	46	(187)	150
Other income	-	(1,167)	-	(1,167)
Non-operating items				
Loss (gain) on sale of equipment	30	91	1	102
Finance income	(94)	(42)	(183)	(92)
Finance expense	116	172	248	481
Adjusted EBITDA	\$ 5,175	\$ 5,313	\$ 10,127	\$ 10,021

	Three months ended June. 30, (Note 2)		Six months ended June. 30, (Note 2)	
	2016	2015	2016	2015
	Adjusted EBITDA	\$ 5,175	\$ 5,313	\$ 10,127
Non-controlling interests' share of Adjusted EBITDA ⁽¹⁾	(1,641)	(1,486)	(2,970)	(2,532)
Mosaic's share of current income tax expense	111	(182)	(206)	(406)
Mosaic's share of Sustaining Capital Expenditures	(75)	(172)	(397)	(252)
FREE CASH FLOW	\$ 3,570	\$ 3,473	\$ 6,554	\$ 6,831

Notes:

- (1) Refer to the heading "Non-controlling Interests" for more information.
- (2) Pursuant to the Q4 2015 divestitures of Streamline and Polar, the results from operations of those entities for Q2 2015 have been segregated as loss from discontinued operations (see note 15 in the Q2 2016 condensed interim consolidated financial statements of Mosaic). Previously issued Q2 2015 condensed interim consolidated financial statements included these entities' results in net income from continuing operations. Adjusted EBITDA and Free Cash Flow exclude the results of discontinued operations.

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 from continuing operations before income taxes. Accordingly, dividing (i) income from continuing operations 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, 2016, by (ii) weighted average common shareholders' equity for the same period, yields a ratio of 21% (2015 - 26%).

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 from continuing operations 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 from continuing operations before income taxes for the

period, for each of the three-month and six-month periods ended June 30, 2016, yields payout ratios of 97% (2015 – 89%) and 101% (2015 – 121%) 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 from continuing operations 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 from continuing operations before income taxes for the period, for each of the three-month and six-month periods ended June 30, 2016, yields payout ratios of 123% (2015 – 112%) and 127% (2015 – 155%) respectively.

BACKGROUND

MOSAIC OVERVIEW

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 and industrial supply industries. 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 preferred securities of Mosaic are listed on the TSX Venture Exchange and trade under the symbols "M" and "M.PR.A" respectively. The Company's private yield securities and series "A" shares are not listed on a public exchange.

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 own approximately 47% and 3% of the outstanding common shares and preferred securities of Mosaic, respectively, as at June 30, 2016.

FINANCIAL RESOURCES FOR FUTURE GROWTH

At June 30, 2016, Mosaic had cash and cash equivalents of \$27,055, net working capital of \$56,219 and an undrawn \$25,000 acquisition facility. Further, Mosaic's management believes it has the ability to access the capital markets for funding acquisitions as and when required. Although a portion of Mosaic's cash balances will be designated for funding ongoing operations, its capital resources position Mosaic to be able to capitalize on future opportunities as they arise.

PORTFOLIO OF BUSINESSES

As a result of its ongoing acquisition activities, Mosaic reassessed its business segmentation in Q1 2015 and modified its reporting to the chief operating decision maker to recognize that there are now more operating entities which share common characteristics. Business units previously reported under the Industrial segment are now reported under three new segments, namely Infrastructure, Energy and Diversified. As a result, Mosaic now has four reportable business segments:

Infrastructure

- **Ambassador Mechanical Corp. ("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, Saskatchewan and southwestern Ontario 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.
- **South East Construction L.P. ("SECON")** (75% ownership) is based in Esterhazy, Saskatchewan and is a multi-trade industrial and commercial construction company, primarily servicing the potash mining and milling industry in all phases of underground and surface

construction and maintenance. SECON has also worked on construction and infrastructure projects related to power generation, coal mining and crushing, fertilizer production and oilseed crushing.

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")** (96% ownership) is based in Sexsmith, Alberta and operates two water treatment businesses. Firstly, Remote Waste manufactures and rents wastewater treatment systems for remote work camps which are primarily utilized in the oil and gas industry. Secondly, Remote Waste 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 and 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.

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" on page 24.

DEVELOPMENTS

The following sets forth certain developments occurred in the business of Mosaic in the year up to August 12, 2016.

Appointment of new CEO – On July 7, 2016 Mosaic announced the appointment of Mark Gardhouse as its new Chief Executive Officer effective July 11, 2016. John Mackay, Mosaic's Co-founder and current CEO will continue to serve as Executive Chairman of Mosaic's Board of Directors.

Acquisition of Mackow Industries – On August 2, 2016 Mosaic announced that it acquired an 80% interest in the business being carried on by Mackow Industries ("**Mackow**"). The remaining 20% was retained by key management of Mackow. Mosaic's cost of the acquisition was \$29,500, subject to typical post-closing adjustments and was funded through a combination of cash and vendor take-back financing. In addition, there is a two year vendor earn-out provision to be paid to the vendors if the business meets specified targets. Mackow will be included in the Diversified segment for reporting purposes.

OUTLOOK

The following is qualified in its entirety by the "Forward-Looking Information" at the end of the MD&A, and the risks and uncertainties referred to in the section titled "Risk Factors" on page 24.

The Mackow Industries acquisition together with the two previously announced energy-related divestitures in 2015 (Streamline Mechanical and Polar Geomatic) have materially improved the strategic positioning of Mosaic's portfolio. We anticipate that inclusion of Mackow's operating results in Mosaic's consolidated results will improve Mosaic's payout ratios.

The Mackow acquisition is the largest in Mosaic's history. The majority of Mackow's revenues are from fabrication of metal components designed for installation in transit buses and motor coaches. The majority of these buses and motor coaches are sold into the U.S. market. We view the North American public and private mass transportation market as having solid long-term fundamentals.

Acquisitions

Through 2015 and thusfar in 2016, we expanded our acquisition team, broadened our geographic focus and geared our efforts toward somewhat larger, non-cyclical enterprises. This move to greater portfolio economic diversity, size and quality may result in somewhat higher valuations for targeted acquisitions. However, with our internal resources and access to capital we feel we can complete attractive acquisitions which will enhance Mosaic's value and strength.

The Company continues to see solid deal flow from across Canada spanning a wide range of industrial sectors. Mosaic's diverse deal-flow provides the Company an exceptional vantage point to assess which sectors it views as most attractive for investment.

Subsidiaries

Infrastructure Segment

This segment includes Ambassador, Place-Crete and SECON. SECON expects to have solid bottom-line performance during 2016. It intends to investigate several smaller acquisition opportunities and grow its business organically through certain business growth initiatives. Place-Crete has been able to sustain relatively steady activity levels and profitability despite the softening Alberta construction environment. Ambassador has been facing elevated competition and margin pressure in the Manitoba HVAC marketplace, however continues to have a robust backlog. As at June 30, 2016, the Infrastructure Segment's backlog was approximately \$81.4 million and through internal growth and acquisition has become Mosaic's most significant segment.

Energy Segment

This segment is being directly impacted by ongoing low oil and natural gas prices. Remote Waste is actively pursuing greater market share and a new product line. Remote is targeting moderate profitability, although there is currently limited activity visibility on the second half of 2016. Allied Cathodic management believes prospects for 2016 remain consistent with 2015, however Allied Cathodic now represents only a minor portion of the Mosaic's portfolio.

Diversified Segment

This segment consists of Printing Unlimited, Kendall's Supply and Industrial Scaffold, all of which operate in western Canada.

Due to the catastrophic fires and resulting evacuation in Fort McMurray, Printing Unlimited's operations were temporarily shut down during May and the first half of June. Management and staff of Printing Unlimited have done an incredible job of persevering through challenging circumstances. The premises did not suffer direct fire damage and Mosaic's business interruption insurance will mitigate most of Printing Unlimited's fire-related costs and lost profits. We anticipate that its business activity will return to pre-fire levels for the balance of 2016.

Industrial Scaffold's prospects for 2016 are favorable, based on its core clientele in the pulp & paper, forestry and shipping sectors. Kendall's Supply is situated in a community directly impacted by the energy industry downturn, causing its visibility on 2016 activity levels and profitability to be unclear. However, management believes that its business performance in 2016 will be consistent with 2015.

Real Estate

FWPLP'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, however, the segment continues to produce positive operating cash flow from property rentals and development lot sales.

Mosaic's McMillan industrial warehouse rental property in Fort McMurray was not directly impacted by the fire.

DISTRIBUTIONS, DIVIDENDS AND PAYOUT RATIOS

Preferred Security Distributions

Information regarding the distributions declared and paid to holders of preferred securities during the three and six months ended June 30, 2016 and the 2015 comparative period is set forth below.

Under the DRIP, holders of preferred securities who are residents of Canada and are participating in the DRIP will have distributions relating to their preferred securities reinvested in preferred 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 allows Mosaic to elect to have the preferred securities purchased on the open market or issued from treasury.

Record Date	2016			2015		
	Distributions Declared	Distributions net of DRIP	DRIP Participation ⁽²⁾	Distributions Declared	Distributions net of DRIP	DRIP Participation ⁽²⁾
January ⁽¹⁾	\$ 874	\$ 677	23%	\$ 883	\$ 689	22%
February ⁽¹⁾	873	684	22%	879	695	21%
March ⁽¹⁾	873	683	22%	877	699	20%
April ⁽¹⁾	874	683	22%	880	702	20%
May ⁽¹⁾	901	709	21%	880	694	21%
June ⁽¹⁾	873	680	22%	879	680	23%
	\$ 5,268	\$ 4,116	22%	\$ 5,278	\$ 4,159	21%

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

The private yield securities issued in Q1 2015 are described in the AIF.

Distributions are payable monthly on the private yield securities issued and outstanding. Each private yield security entitles 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, 2016, Mosaic declared distributions on private yield securities of \$614 (2015 - \$614) and \$1,227 (2015 - \$863) respectively. The increase in distributions on private yield securities for the six months ended June 30, 2016 over the comparative period 2015 relates to the fact that the issuance of private yield securities occurred in late Q1 2015 and therefore only partial distribution payments were made during the six months ended June 30, 2015 whereas full distribution payments were made during the six months ended June 30, 2016.

Common Share Dividends

The amounts and record dates of the dividends declared during six months ended June 30, 2016 and the 2015 comparative period are as follows:

Record date	2016 Dividends		Record date	2015 Dividends	
	Per Share	Amount		Per Share	Amount
March 15, 2016	\$ 0.10	\$ 863	February 28, 2015	\$ 0.10	\$ 833
June 15, 2016	0.10	\$ 863	May 31, 2015	0.10	858
Total	\$ 0.20	\$ 1,726	Total	\$ 0.20	\$ 1,691

Series "A" Share Dividends

Dividends are payable monthly on series "A" shares issued and outstanding. Each series "A" share has a right to a dividend equal to the distribution declared on each preferred security.

For Q2 2016, Mosaic declared dividends on series "A" shares of \$22 (2015 - \$11) and paid dividends on series "A" shares of \$22 (2015 - \$11).

For the six months ended June 30, 2016, Mosaic declared dividends on series "A" shares of \$44 (2015 - \$21) and paid dividends on series "A" shares of \$44 (2015 - \$21).

The increase in dividends over the comparative periods in 2015 is related to the 46,200 Series "A" stock options exercised in November 2015.

Payout Ratios

Mosaic's payout ratios have historically fluctuated significantly quarter to quarter due to the cyclicity of some of its businesses and the timing of raising and subsequently deploying capital.

Management anticipates that 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,			
	2016	2016	2015	2015	2016	2016	2015	2015
Payout Ratios:								
Preferred Distribution Payout Ratio/distributions	92%	\$ 3,284	94%	\$ 3,264	100%	\$ 6,539	90%	\$ 6,162
Combined Payout Ratio/distributions and dividends	116%	\$ 4,147	119%	\$ 4,122	126%	\$ 8,265	115%	\$ 7,853
Share Information:								
	June 30, 2016				June 30, 2015			
Preferred Securities (face value per security \$10)	10,476,998				10,530,706			
Private Yield Securities (face value per security \$1,000)	26,520				26,520			
Common Shares	8,345,657				8,256,879			

The Preferred Distribution Payout Ratio increased during the six months ended June 30, 2016 over the comparative period in 2015 primarily as a result of reduced operating performance in the Energy segment, combined with increased distributions related to the issuance of private yield securities completed in March 2015.

The Combined Payout Ratio increased in six months ended June 30, 2016 over the comparative period in 2015 due to the same factors noted above.

During the six months ended June 30, 2016, the Company has not deployed any capital into new acquisitions since the issuance of preferred securities and common shares in Q4 2014 and private yield securities in Q1 2015, however has been required to make distributions and pay dividends on these securities since their issuance.

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FINANCIAL REVIEW AND DISCUSSION OF OPERATIONS

Mosaic – Consolidated

Selected statement of financial position information				
	June 30,		Dec. 31,	
	2016		2015	
Cash and cash equivalents	\$ 27,055	\$	39,854	
Accounts receivable	53,103		47,115	
Total current assets	88,721		94,471	
Income-producing properties	11,781		11,878	
Property held for development	985		985	
Total non-current assets	105,533		107,830	
Total assets	\$ 194,254	\$	202,301	
Operating loans	\$ 2,397	\$	2,257	
Current portion of notes payable	4,656		5,128	
Total current liabilities	32,502		34,068	
Notes payable	2,013		3,718	
Total non-current liabilities	3,416		5,304	
Total equity attributable to equity holders	158,336		162,929	
Total liabilities and equity	194,254		202,301	
Working capital	\$ 56,219	\$	60,403	
Current ratio	2.7		2.8	
Selected income and expense information				
	Three months ended		Six months ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenue	\$ 48,270	\$ 43,738	\$ 88,514	\$ 82,154
Operating expenses	43,131	38,470	78,423	72,193
Income from operations	5,139	5,268	10,091	9,961
Income from continuing operations before income taxes	3,385	3,688	6,493	5,080
Net income from continuing operations	3,547	3,967	6,431	5,397
Net income and comprehensive income	3,547	1,182	6,431	1,242
Net income from continuing operations attributable to:				
Shareholders	\$ 2,201	\$ 3,441	\$ 4,205	\$ 4,833
Non-controlling interests	1,346	526	2,226	564
	\$ 3,547	\$ 3,967	\$ 6,431	\$ 5,397
Per share:				
Basic	(\$0.13)	\$0.02	(\$0.28)	(\$0.16)
Diluted	(\$0.13)	\$0.02	(\$0.28)	(\$0.16)
Net income and comprehensive income attributable to:				
Shareholders	\$ 2,201	\$ 656	\$ 4,205	\$ 678
Non-controlling interests	1,346	526	2,226	564
	\$ 3,547	\$ 1,182	\$ 6,431	\$ 1,242
Per share:				
Basic	(\$0.13)	(\$0.32)	(\$0.28)	(\$0.67)
Diluted	(\$0.13)	(\$0.32)	(\$0.28)	(\$0.67)
Distributions and cash dividends declared:				
Common share dividends per share	\$0.10	\$0.10	\$0.20	\$0.20
Series "A" share dividends per share	\$0.25	\$0.25	\$0.50	\$0.50

Notes:

- (1) Pursuant to the Q4 2015 divestitures of Streamline and Polar, the results from operations of those entities for Q2 2015 have been segregated as loss (income) from discontinued operations (see note 15 in the Q2 2016 condensed interim consolidated financial statements of Mosaic). Previously issued Q2 2015 condensed interim consolidated financial statements included these entities' results in net income from continuing operations

INFRASTRUCTURE SEGMENT (AMBASSADOR, PLACE-CRETE AND SECON)

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Change		2016	2015	Change	
Revenue	\$ 34,140	\$ 30,783	\$ 3,357	+11%	\$ 65,019	\$ 58,599	\$ 6,420	+11%
Operating expenses	30,424	26,517	3,907	+15%	56,645	51,362	5,283	+10%
Income from operations	3,716	4,266	(550)	-13%	8,374	7,237	1,137	+16%

Revenue during the three months and six months ended June 30, 2016 increased over the comparative periods in 2015 primarily due to increased contract activity at SECON, Ambassador and Place-Crete.

Income from operations for the six months ended June 30, 2016 increased primarily due to elevated contract activity at SECON, however the segment reported moderate contract margin contraction in Q2, resulting in slightly reduced income from operations during Q2.

ENERGY SEGMENT (ALLIED CATHODIC AND REMOTE WASTE)

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Change		2016	2015	Change	
Revenue	\$ 1,624	\$ 2,534	\$ (910)	-36%	\$ 3,340	\$ 5,381	\$ (2,041)	-38%
Operating expenses	1,328	1,919	(591)	-31%	2,857	3,329	(472)	-14%
Income from operations	296	615	(319)	-52%	483	2,052	(1,569)	-76%

The decrease in revenue, operating margins and income from operations during three months and six months ended June 30, 2016 were due to the significant reduction in the overall energy industry activity levels.

Pursuant to the Q4 2015 divestitures of Streamline and Polar, the results from operations of those entities for Q2 2016 have been segregated as loss (income) from discontinued operations (see note 15 in the Q2 2016 condensed interim consolidated financial statements of Mosaic).

DIVERSIFIED SEGMENT (KENDALL'S SUPPLY, PRINTING UNLIMITED AND INDUSTRIAL SCAFFOLD)

Three and Six-Month Financial Highlights

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Change		2016	2015	Change	
Revenue	\$ 12,216	\$ 10,073	\$ 2,143	+21%	\$ 19,570	\$ 17,405	\$ 2,165	+12%
Operating expenses	9,870	8,482	1,388	+16%	16,316	14,813	1,503	+10%
Income from operations	2,346	1,591	755	+47%	3,254	2,592	662	+26%

Revenue and income from operations during the three months and six months ended June 30, 2016 increased due to elevated activity levels 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 \$985 and \$11,781 respectively and an investment in a joint venture with a carrying value of \$3,685 as at June 30, 2016. 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,			
	2016	2015	Change		2016	2015	Change	
Revenue	\$ 290	\$ 348	\$ (58)	-17%	\$ 585	\$ 769	\$ (184)	-24%
Operating expenses	155	463	(308)	-67%	255	662	(407)	-61%
Income from operations	135	(115)	250	+217%	330	107	223	+208%

The increase in income from operations during the three and six months ended June 30, 2016 was a result of out-of-period expenses recorded in Q2 2015 in connection with the joint venture with Harbour Equity. This was partially offset as a result of the industrial building in Estevan, Saskatchewan being vacant during the six months ended June 30, 2016. This property, along with Hanselman still remain vacant.

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,			
	2016	2015	Change		2016	2015	Change	
Revenue	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
Operating expenses	1,354	1,089	265	+24%	2,350	2,027	323	+16%
Income from operations	(1,354)	(1,089)	(265)	-24%	(2,350)	(2,027)	(323)	-16%

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 and six months ended June 30, 2016 is primarily related to an increase in recruitment costs over comparative periods in 2015.

Securities-based Compensation

Securities-based compensation is included in corporate expenses as reported in the Q2 2016 condensed interim consolidated financial statements.

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Change		2016	2015	Change	
Securities-based compensation	\$ 223	\$ 159	\$ 64	+40%	\$ 325	\$ 694	\$ (369)	-53%

The increase in securities-based compensation in Q2 2016 was related to an increase in senior personnel participation in executive variable compensation as compared to Q2 2015.

The decrease in securities-based compensation for the six months ended June 30, 2016 over the comparative period in 2015 was related to a decrease in senior personnel participation in executive variable compensation.

For the three months ended June 30, 2016, securities-based compensation had an impact on net income per common share of \$0.03 (2015 - \$0.02) per common share. For the six months ended June 30, 2015, securities-based compensation had an impact on net income per common share of \$0.04 (2015 - \$0.08) per common share.

AMORTIZATION

Amortization is recorded within all the segments as well as in corporate expenses and is shown below income from operations.

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Change		2016	2015	Change	
Amortization - income producing properties	\$ 48	\$ 50	\$ (2)	-4%	\$ 97	\$ 98	\$ (1)	-1%
Amortization - property plant and equipment	983	966	17	+2%	1,923	1,853	70	+4%
Amortization - intangibles	688	1,304	(616)	-47%	1,374	2,758	(1,384)	-50%
Total	\$ 1,719	\$2,320	\$ (601)	-26%	\$3,394	\$4,709	\$(1,315)	-28%

For three months ended June 30, 2016, total amortization had an impact on net income per common share of \$0.21 (2015 - \$0.28) per common share. For the six months ended June 30, 2016, total amortization had an impact on net income per common share of \$0.41 (2015 - \$0.57) per common share.

Intangible assets (which include trade names, customer relationships, backlog, intellectual property, employment agreements, non-compete agreements and computer software) are recorded in connection with Mosaic's acquisitions. The amortization of intangibles during the three months and six months ended June 30, 2016 was less over the comparative periods in 2015 due to 2015 comparative figures including the effect of full amortization over one year of the work backlogs acquired upon the acquisitions of Place-Crete and SECON. Amortization of intangibles is a non-cash charge against earnings which has no effect on the Company's Free Cash Flow and Adjusted EBITDA.

For the three months ended June 30, 2016 Mosaic's share of intangibles amortization was \$0.07 per common share (2015 - \$0.12). For the six months ended June 30, 2016 Mosaic's share of intangibles amortization was \$0.13 per common share (2015 - \$0.26).

	Three months ended June 30,				Six months ended June 30,			
	2016	2015	Change		2016	2015	Change	
Net income and comprehensive income attributable to shareholders	\$ 2,201	\$ 656	\$ 1,545	+236%	\$4,205	\$ 678	\$ 3,527	+520%
Mosaic's share of intangibles amortization	540	1,005	(465)	-46%	1,080	2,124	(1,044)	-49%
Net income and comprehensive income before intangibles amortization attributable to shareholders	\$ 2,741	\$1,661	\$ 1,080	+65%	\$5,285	\$2,802	\$ 2,483	+89%

DISCONTINUED OPERATIONS

With the sale of Streamline and Polar in Q4 2015, the Company presented discontinued operations in the condensed interim consolidated financial statements for Q2 2016. The following summarizes the results of the discontinued operations for three months and six months ended June 30, 2015:

	Three months ended	Six months ended
	2015	2015
Revenue	\$ 6,327	\$ 13,715
Income from operations	203	7
Loss before tax	(2,123)	(3,328)
Loss from discontinued operations	(2,785)	(4,155)

For a more detailed breakdown of discontinued operations refer to note 15 within the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2016.

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:

Cash Payments	
	\$
2016	2,663
2017	2,963
2018	364
2019	225
2020 and after	454
	6,669

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 the three months ended June 30, 2016, \$1,346 (2015 - \$526) of Mosaic's net income was allocated to non-controlling interests and distributions of \$1,206 (2015 - \$480) were paid to holders of the non-controlling interests.

During the six months ended June 30, 2016, \$2,226 (2015 - \$564) of Mosaic's net income was allocated to non-controlling interests and distributions of \$2,068 (2015 - \$480) 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.

	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	June 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014
From continuing operations								
Revenue	\$ 48,270	\$ 40,244	\$ 48,432	\$ 51,743	\$ 43,738	\$ 38,416	\$ 44,773	\$ 31,519
Operating expenses	43,131	35,292	44,168	46,130	38,470	33,723	37,678	26,223
Income from operations	5,139	4,952	4,264	5,613	5,268	4,693	7,095	5,296
Net income from continuing operations	3,547	2,884	3,046	3,210	3,967	1,430	5,563	3,975
Net income attributable to shareholders	\$ 2,201	\$ 2,004	\$ 1,887	\$ 1,353	\$ 656	\$ 22	\$ 3,945	\$ 4,031
Net income (loss) per common share from continuing operations⁽¹⁾								
Basic	\$ (0.13)	\$ (0.15)	\$ 0.02	\$ (0.08)	\$ 0.02	\$ (0.18)	\$ 0.29	\$ 0.01
Diluted	\$ (0.13)	\$ (0.15)	\$ 0.02	\$ (0.08)	\$ 0.02	\$ (0.18)	\$ 0.28	\$ 0.01
From continuing & discontinuing operations								
Net income (loss) per common share⁽¹⁾								
Basic	\$ (0.13)	\$ (0.15)	\$ (0.16)	\$ (0.23)	\$ (0.32)	\$ (0.35)	\$ 0.18	\$ 0.19
Diluted	\$ (0.13)	\$ (0.15)	\$ (0.16)	\$ (0.23)	\$ (0.32)	\$ (0.35)	\$ 0.18	\$ 0.17

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. For several of the subsidiaries, Q1 and Q2 of each calendar year tend to have lower activity than the other quarters. 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 2016.

Working Capital

As at June 30, 2016, Mosaic had net working capital of \$56,219 (December 31, 2015 - \$60,403) and a current ratio of 2.7:1 (December 31, 2015 - 2.8:1). Included in the net working capital as of June 30, 2016 was cash of \$27,055 (December 31, 2015 - \$39,854).

Credit Facilities

Mosaic's available credit facilities are comprised of a committed revolving acquisition and operating facility as well as operating credit facilities within Mosaic's subsidiaries. These facilities are described in further detail in note 28 to the audited consolidated financial statements of Mosaic for the year ended December 31, 2015.

The purpose of Mosaic's \$25,000 acquisition and operating facility (the "Acquisition Line") is primarily to provide funding of acquisitions, however Mosaic can draw up to \$5,000 to fund ongoing working capital

requirements. The Acquisition Line is a committed facility with a term to May 30, 2017, subject to renewal, and bears interest at rates ranging from prime plus 0.50% to 1.25%. It is secured by a general security agreement and assignment of securities that Mosaic holds in certain of its subsidiaries. As at August 12, 2016 the Acquisition Line was drawn to \$22,750 as a result of the Mackow acquisition which closed on August 2, 2016.

As at June 30, 2016 Mosaic's subsidiaries had approximately \$25,000 of aggregate credit facilities in place, subject to satisfying terms and conditions of the facilities at time of draw. The facilities were drawn \$2,397 at June 30, 2016 (December 31, 2015 \$2,257). The facilities are to finance normal course operations and capital expenditures of the subsidiaries. Management views the credit facilities as adequate for managing the current operating needs of its subsidiaries.

Mosaic and its subsidiaries were in compliance with all applicable loan covenants as at June 30, 2016.

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, 2016 have been incurred primarily in the Infrastructure, Energy, and Diversified segments and consisted primarily of equipment and vehicle 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, 2016 have been incurred in the Infrastructure, Energy, and Diversified segments.

	Three months ended			Six months ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Growth capital expenditures						
Acquisitions	\$ -	\$ -	\$ -	\$ -	\$ -	-
Additions	918	1,529	\$ (611)	1,235	2,011	(776)
Total growth capital expenditures	918	1,529	(611)	1,235	2,011	(776)
Sustaining Capital Expenditures	97	227	(130)	503	333	170
Total capital expenditures	\$ 1,015	\$ 1,756	\$ (741)	\$ 1,738	\$ 2,344	\$ (606)

COMMITMENTS AND CONTINGENT LIABILITIES

Mosaic has commitments under operating leases for office and shop space and equipment. Amounts to be paid under these leases are approximately as follows:

<u>Year</u>	<u>Amount</u>
	\$
2016	654
2017	1,107
2018	604
2019	477
2020 and after	-
	<u>2,842</u>

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.

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.

At June 30, 2016, the sensitivity in net income for each 1% change in interest rates is immaterial.

OFF-BALANCE SHEET ARRANGEMENTS

Mosaic has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Rent of \$198 for the three months ended June 30, 2016 (2015 - \$328) and \$396 for the six months ended June 30, 2016 (2015 - \$656) for space occupied by certain of Mosaic's subsidiaries was paid to entities controlled by minority partners within Mosaic's subsidiaries. These leasing arrangements are ongoing.

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, 2016.

SECURITIES DATA

As at August 12, 2016, the following numbers of securities of Mosaic are issued and outstanding:

Designation of Class	Number Outstanding
Common shares	8,603,850 ⁽¹⁾⁽²⁾
Preferred securities	10,477,447 ⁽³⁾⁽⁴⁾⁽⁶⁾
Private yield securities	26,520 ⁽⁴⁾
Warrants – private yield securities	26,520 ⁽⁵⁾
Series "A" shares	87,780 ⁽⁶⁾
Restricted Securities Units – common shares (CS-RSUs)	300,559 ⁽⁷⁾
Restricted Securities Units – preferred securities (PS-RSUs)	7,643 ⁽⁸⁾

Notes:

(1) As at June 30, 2016, 258,193 common shares had been purchased and were being held by the trustee under the Mosaic securities-based compensation plan for the benefit of the plan participants. Common shares reported under the heading

"Financial Highlights" herein as 8,345,657 represents the total common shares outstanding (8,603,850 - as at June 30, 2016), less the common shares held in trust.

- (2) An additional common shares are issuable pursuant to the common share stock options described in the paragraph following this table, below.
- (3) As at June 30, 2016, 449 preferred securities had been purchased and were being held by the trustee under the Mosaic securities-based compensation plan for the benefit of the plan participants. Preferred securities reported under the heading "Financial Highlights" herein as 10,476,998 represents the total preferred securities outstanding (10,477,447 - as at June 30, 2016) less these preferred securities held in trust.
- (4) Following the first anniversary of their issuance, each private yield security entitles the holder to exchange on redemption the private yield security into 92.5 preferred securities or cash (being one thousand dollars together with all accrued and unpaid interest on such security), at Mosaic's option.
- (5) Each private yield security purchase warrant is exercisable for one private yield security.
- (6) Each series "A" share is exchangeable by the holder thereof for one preferred security. The maximum number of additional series "A" shares issuable by Mosaic is limited to the number issuable pursuant to the outstanding series "A" share options described in the paragraph following this table, below.
- (7) Each CS-RSU may be settled for one underlying common share.
- (8) Each PS-RSU may be settled for one underlying preferred security.

In addition to the securities described in the table above, as at August 12, 2016 there were outstanding Mosaic common share options and series "A" share options entitling the holders thereof to purchase, in aggregate, 407,928 common shares at a weighted average exercise price of \$4.39 per share and 17,325 series "A" shares at a weighted average exercise price of \$9.38 per share, respectively.

SUBSEQUENT EVENT

On August 2, 2016 Mosaic acquired an 80% partnership interest in the business being carried on by Mackow Industries ("Mackow"). The remaining 20% was retained by key management of Mackow. Mosaic acquired this interest because of the expected consistent cash flow generated, the stable nature of the mass transit industry in which Mackow participates and to further diversify its portfolio. Mosaic's cost of the acquisition was \$29,500, subject to typical post-closing adjustments, and was funded through a combination of cash (\$22,750) and vendor take-back financing (\$6,750). The vendor take-back financing is to be paid out by Mosaic over a three-year period at a commercial rate of interest. In addition, there is a two-year earn out provision to be paid to the vendors if the business meets specified targets. Management is in the process of determining the fair value of the earn out provisions and the assets acquired and liabilities assumed. Therefore, an allocation of the purchase price has yet to be made. Mackow will be included in the Diversified segment for reporting purposes.

The cash component of the purchase price was financed through Mosaic's previously undrawn acquisition line of credit facility. This financing would have resulted in a technical non-compliance of the fixed charge coverage provisions of the facility, however the financial institution waived Mosaic's non-compliance until December 31, 2016 and advanced funds to complete the acquisition.

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 2015 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 Mosaic's audited consolidated financial statements for the year ended December 31, 2015 and in the condensed interim consolidated financial statements for the six months ended June 30, 2016.

ACCOUNTING POLICIES

There have been no changes in accounting policies in the three and six months ended June 30, 2016.

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

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 intends 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. Changes, if any, are not expected to be material.

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 currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter 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. An entity applies IFRS 16 for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers 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 assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

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 intention and ability of Mosaic to make cash distributions on its preferred securities and private yield securities as well as to pay quarterly dividends on its common shares; the outlook of Mosaic's and its subsidiaries' businesses including the anticipated positive impact of the Mackow acquisition on revenue, income from operations, cash flows and payout ratios; management's expectations concerning future plans, operations and expenditures; the competitive environment in which Mosaic and its business units operate; the business strategy and objectives of Mosaic; development plans, as well as acquisition and disposition plans, of Mosaic; the supply and demand for products and services; Mosaic's ability to fund the interest payable on its preferred securities and private yield securities as well as Mosaic's ability to meet its current and future obligations to lenders or otherwise; Mosaic's ability to execute its growth strategy; the impact of federal income tax changes on Mosaic and its subsidiaries.

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 business operations of the operating businesses of Mosaic continuing on a basis consistent with prior years; the ability of Mosaic and its subsidiaries to access financing from time to time on favorable terms; the ability of Mosaic to continue to make acquisitions satisfying its criteria and to realize anticipated benefits of acquisitions; 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 and showing signs of strengthening over the coming year; 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 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: general economic and political conditions; competition for acquisition candidates; the failure to identify, acquire and develop suitable acquisition targets; unknown liabilities within acquired businesses; insufficient cash flows from subsidiaries; the loss of key personnel; lack of diversification; changes in laws or regulations or the interpretation thereof; regulatory risk; 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; legal proceedings against Mosaic; potential conflicts of interest of directors and officers; changes in tax law or other adverse tax consequences; 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; fluctuations in commodity prices; illiquidity of investments; the speculative nature of Mosaic's investments due to the small size of the acquired businesses; lack of diversity of customer base; adverse weather conditions; uninsured and underinsured losses; competition in industries in which Mosaic's subsidiaries operate; contractual risks, including indemnity obligations; failure to retain customers; damage to brand reputation; failure to attract qualified employees or interruption of the labour supply; competition for, among other things, capital, equipment, materials and personnel; risks inherent in Mosaic's ownership of real property; inability of tenants to fulfill lease obligations; difficulty in renewing leases as they expire and difficulty in leasing vacant space; fixed costs of ownership of real property; illiquidity of investments in real property; uncertainties relating to the ability to move development land through the development and regulatory approval process in a timely manner; weakness in the commercial property market in target markets; difficulty in enforcing rights upon default by tenants; 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.