MOSAIC CAPITAL

Management's Discussion and Analysis

For the Three Months Ended March 31, 2017

Dated: May 15, 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.**

Due to the material changes in Mosaic's capital structure arising from the Fairfax Financial transaction (described below), management will be considering amending the non-IFRS financial measures most appropriate for disclosure in future periods.

<u>Adjusted EBITDA</u>: 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) 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.

<u>Free Cash Flow</u>: 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, interest, scheduled debt repayments 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.

<u>Sustaining Capital Expenditures</u>: 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.

<u>Adjusted Return on Common Equity</u>: means the percentage that is obtained by dividing: (i) Free Cash Flow less distributions declared to holders of preferred securities and private yield securities, interest, 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 March 31, 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 May 15, 2017 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Mosaic for the three months ended March 31, 2017, the audited consolidated financial statements for the year ended December 31, 2016, the annual MD&A dated April 3, 2017 for the year ended December 31, 2016 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.

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FINANCIAL HIGHLIGHTS

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

	2017	per common share (basic)	per common share (diluted)	2016	per common share (basic)	per common share (diluted)
For the three months ended March 31						
Revenue	$ 58,109	5.74	1.98	$ 40,244	4.83	4.65
Adjusted EBITDA[1]	5,262	0.52	0.18	4,952	0.59	0.57
Net income and comprehensive income attributable to shareholders[2]	60	(0.27)	(0.27)	2,004	(0.15)	(0.15)
Net income and comprehensive income before intangibles amortization attributable to shareholders[4]	1,196	(0.16)	(0.16)	2,544	(0.09)	(0.09)
Free Cash Flow[1]	3,236	0.32	0.11	2,984	0.36	0.34
Change in Free Cash Flow per common share		-11%	-68%			
Preferred distributions declared[3]	2,485			3,255		
Common share dividends declared	1,093	0.105	-	863	0.10	-
Preferred Distribution Payout Ratio[1]	77%			109%		
Combined Payout Ratio[1]	111%			138%		
Rolling twelve-month Adjusted Return on Common Equity[1][6]	NM			-8%		
FINANCIAL POSITION	March 31, 2017			December 31, 2016		
Cash and cash equivalents	$ 21,053			$ 24,938		
Working capital	52,381			23,150		
Property, plant &equipment	28,013			26,835		
Total assets	271,544			275,930		
Operating loans	2,182			2,211		
Credit facility	-			24,500		
5% Debentures	46,633			-		
Common share warrants	21,418			-		
Convertible debentures - liability portion	11,250			13,162		
Shareholders' equity	131,319			168,503		
SECURITIES INFORMATION	March 31, 2017			December 31, 2016		
Common shares[5]	10,128,580			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)	13,264			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 10 in the Q1 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".

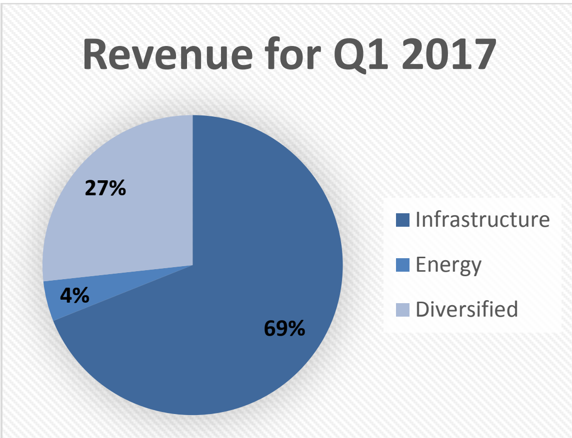
(6) The calculation of the rolling twelve-month Adjusted Return on Common Equity is not meaningful because both Free Cash Flow less distributions declared to holders of preferred securities and private yield securities, and dividends declared to holders of Series A Shares for the period and equity attributable to common shareholders as at March 31, 2017 were both negative.

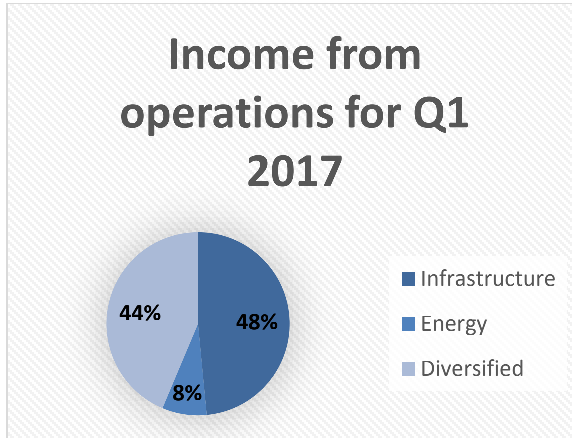
<u>Consolidated Financial Highlights</u>

Revenue for Q1 2017 increased 44% or $17,865 to $58,109 compared to Q1 2016, primarily due to the addition of revenue from Mackow (purchased effective August 1, 2016) and Bassi (purchased effective December 1, 2016). This was partially offset by revenue declines from businesses in the Infrastructure segment due to weakness in those entities' markets as well as the project nature of their operations.

Adjusted EBITDA for Q1 2017 increased 6% or $310 to $5,262 compared to Q1 2016, primarily related to the increased income from operations contribution of Mackow and Bassi, largely offset by declines in businesses in the Infrastructure segment, for the same reasons as were stated above for revenue declines. Free Cash Flow for Q1 2017 increased 8% or $252 to $3,236 compared to Q1 2016, primarily due to the same factors mentioned above.

The Q1 2017 revenue and income from operations breakdown by segment 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 Mar. 31, 2017	Three months ended Mar. 31, 2016
Income from continuing operations before income taxes	$ 557	$ 3,108
Amortization	2,997	1,675
Accretion	49	-
Equity-based compensation	(205)	102
Foreign exchange loss	4	-
Acquisition and financing costs	68	-
Share of joint venture (income) loss	(184)	53
Fair value adjustment on common share warrants	863	-
Non-operating items		
Loss (gain) on sale of equipment	129	(29)
Finance income	(39)	(89)
Finance expense	1,023	132
Adjusted EBITDA	$ 5,262	$ 4,952

	Three months ended Mar. 31, 2017	Three months ended Mar. 31, 2016
Adjusted EBITDA	$ 5,262	$ 4,952
Non-controlling interests' share of Adjusted EBITDA (1)	(1,679)	(1,329)
Mosaic's share of current income tax expense	(37)	(317)
Mosaic's share of Sustaining Capital Expenditures	(310)	(322)
Free Cash Flow	$ 3,236	$ 2,984

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 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 March 31, 2017, by (ii) weighted average common shareholders' equity for the same period, yields a ratio which is not meaningful. (2016 - 19%). The calculation of the rolling twelve-month Adjusted Return on Common Equity is not meaningful because the income from continuing operations before 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 March 31, 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 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 Q1 2017 and Q1 2016, yields payout ratios of 446% and 105% 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 Q1 2017 and Q1 2016, yields payout ratios of 642% and 132% 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, 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 March 31, 2017.

FINANCIAL RESOURCES FOR FUTURE GROWTH

At March 31, 2017, Mosaic had a strong financial position with cash and cash equivalents of $21,053, working capital of $52,381 and an undrawn $35,000 credit 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

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.

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**") (95.4% 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" on page 31.

DEVELOPMENTS

The following sets forth certain developments that occurred in the business of Mosaic in the year up to May 15, 2017.

Credit Facility – On January 25, 2017 Mosaic announced it had entered into a new credit agreement (the "2017 Credit Facility") with a Canadian financial institution which provides for a $35,000 credit facility to Mosaic. It replaces Mosaic's credit facility of $25,000 that had been in place since 2014 with the same financial institution. The 2017 Credit Facility is comprised of a $35,000 revolving committed credit facility which is available for the purposes of acquisitions, day to day operating requirements and capital expenditures. It is for a 3-year term, bearing interest at rates ranging from prime plus 0.50% - 1.50% and is secured by, among other things, a general security agreement and the assignment of securities that Mosaic holds in certain 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 will increase 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 an 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. Mackow will be included in the Infrastructure 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 30.

In response to the ongoing challenges as a result of the energy price decline and the impact on Mosaic, management in 2016 decided to accelerate Mosaic's strategy. First, where it had previously focused most of its portfolio in western Canada, it needed to further generate an economic and geographically diversified income stream. Second, Mosaic needed to reduce its cost of capital, better enabling it to compete for acquisitions. Third, it needed to adopt a more aggressive investment pace and expand its team to drive these initiatives and growth.

During the second half of 2016, management began a more aggressive growth strategy for the Company. To execute on this plan, Mosaic has expanded its acquisition, operations and finance teams. The Mosaic acquisition team has been successful in establishing ongoing deal flow that is of higher quality and more diversified across Canada. The acquisitions completed since Q2, 2016 including Mackow Industries (Winnipeg, Manitoba), Bassi Construction (Ottawa, Ontario), and Cedar Infrastructure Products (Vaughan, Ontario) are reflective of this.

The Fairfax Financing together with the redemptions of the 10% Preferred Securities and Series A Shares, retraction of the private yield securities and the Subscription Privileges offering all of which were consummated in Q1 2017 serve to reduce Mosaic's overall cost of capital and positively impact annual cash flow of Mosaic due to the resulting reduction in annual distributions to securityholders on an equivalent capital amount basis by over $5,400. In addition, these transactions leave Mosaic with a strong capital position for growth. These improvements will reduce Mosaic's combined payout ratios in 2017, enable Mosaic to better compete for larger, higher-quality acquisitions and retain more of its internally generated capital for deployment into acquisitions. We believe that with this growth strategy, Mosaic's strong capital position and the initiatives executed in 2016 and to date in 2017, Mosaic is entering period of enhanced growth and improving financial performance. Mosaic continues to be challenged by certain of its western Canada based portfolio companies which continue to struggle with the ongoing sluggish economy there.

<u>Acquisitions</u>

Mosaic intends to be more aggressive in its acquisition program in 2017. We are seeing a much higher volume and quality of deal flow than ever before, much of which is emanating from eastern Canada. Given the continuing muted western Canadian economy, we view this geographic diversification as important to improving the resiliency of Mosaic's portfolio. Mosaic's diverse deal-flow provides the Company an exceptional vantage point to assess which sectors it views as most attractive for acquisition.

Subsidiaries

Infrastructure Segment

This segment includes Bassi, Ambassador, Place-Crete and SECON. We view Bassi's primary market of commercial and industrial renovation/tenant refit and construction as being an attractive and sustainable niche in the Ottawa market. We anticipate that Bassi will be the most significant contributor to Infrastructure segment earnings in 2017. SECON has certain large project bid opportunities emerging for 2017, however SECON cannot predict its success in winning those bids or the timing. SECON's acquisition of Tundra is expected to impact and add to SECON's earnings as well as diversify its revenue streams. Place-Crete's diverse product lines have enabled it to sustain relatively steady activity levels and profitability despite the softening Alberta construction environment, however its prospects for 2017 are uncertain given the continuing soft market conditions in Alberta. Ambassador has been facing elevated competition and margin pressure in the Manitoba HVAC marketplace. There is some prospect for improved infrastructure spending in its market during 2017. As at March 31, 2017, the Infrastructure Segment's backlog was approximately $77,300 and through internal growth and acquisition has become Mosaic's most significant segment.

Diversified Segment

This segment consists of Mackow, Printing Unlimited, Kendall's Supply and Industrial Scaffold. With the exception of Mackow all of these businesses operate in western Canada.

Mackow's outlook for 2017 is positive given its strategic supplier position in the transit bus and motor coach industry. We believe that Mackow has established itself as a trusted leading supplier to the largest players in the transit bus and motor coach industry by providing consistently exceptional responsiveness, service and quality. Mackow is opening a new U.S. manufacturing plant in Fargo, North Dakota during Q2, 2017 which will help position Mackow to be the most significant contributor to Diversified segment earnings during 2017. We anticipate that Printing Unlimited will continue to be a steady performer in 2017. Industrial Scaffold had steady performance in 2016 and its outlook for 2017 is 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, however we anticipate its financial performance for 2017 will be consistent with 2016.

Energy Segment

This segment continues to face challenges in the ongoing low oil and natural gas price environment. Remote Waste is managing its costs and muted activity levels in its legacy business of portable waste systems to achieve modest profitability. Its new water purification service is gaining traction, landing projects in both Canada and the U.S., and is starting to generate positive financial results. Allied Cathodic's business has sustained through the industry downturn with consistent work levels for a major E&P client and we anticipate this activity to remain or improve.

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, leading to elevated vacancy rates and reduced operating results.

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 Q1 2017 and the 2016 comparative period is set forth below. For Q1 2016 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 Q1 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%
	$ 2,216	$ 2,216	0%	$ 2,620	$ 2,044	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 ended March 31, 2017, Mosaic declared distributions on private yield securities of $269 (2016 - $613). 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

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.

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 preferred security.

For Q1 2017, Mosaic declared dividends on Series A Shares of $Nil (2016 - $22) and paid dividends on Series A Shares of $Nil (2016 - $22).

Payout Ratios

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 Mar 31,			
	2017	2017	2016	2016
Payout Ratios:				
Preferred Distribution Payout Ratio/distributions	77%	$ 2,485	109%	$ 3,255
Combined Payout Ratio/distributions and dividends	111%	$ 3,578	138%	$ 4,118
Share Information:		Mar. 31, 2017		Mar. 31, 2016
10% Preferred Securities (face value per security $10)		-		10,463,000
6% Preferred Securities (face value per security $10)		10,000,000		-
Private Yield Securities (face value per security $1,000)		-		26,520
Common Shares		10,128,582		8,333,820
Convertible unsecured subordinated debentures		13,264		-

The Preferred Distribution Payout Ratio decreased in Q1 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 (ii) issuance of the 6% Preferred Securities in Q1 2017 and (iii) increase in Free Cash Flow.

The Combined Payout Ratio decreased in Q1 2017 over the comparative period in 2016 due to the same factors noted above.

FINANCIAL REVIEW AND DISCUSSION OF OPERATIONS

Mosaic – Consolidated

Selected statement of financial position information	Mar. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	$ 21,053	$ 24,938
Accounts receivable	66,587	66,954
Total current assets	97,942	101,819
Income-producing properties	11,635	11,683
Property held for development	985	985
Total non-current assets	173,602	174,111
Total assets	$ 271,544	$ 275,930
Operating loans	$ 2,182	$ 2,211
Current portion of notes payable	5,398	8,745
Credit facility	-	24,500
Total current liabilities	45,561	78,669
5% Debentures	46,633	-
Common share warrants	21,418	-
Convertible debentures	11,250	13,162
Notes payable	9,565	9,483
Total non-current liabilities	94,664	28,758
Total equity attributable to equity holders	131,319	168,503
Total liabilities and equity	271,544	275,930
Working capital	$ 52,381	$ 23,150
Current ratio	2.1	1.3

Selected income and expense information	Three months ended Mar. 31, 2017	2016
Revenue	$ 58,109	$ 40,244
Operating expenses	52,915	35,292
Income from operations	5,194	4,952
Income from continuing operations before income taxes	557	3,108
Net income from continuing operations	1,010	2,884
Net income and comprehensive income	1,010	2,884
Net income (loss) from continuing operations attributable to:		
Shareholders	$ 60	$ 2,004
Non-controlling interests	950	880
	$ 1,010	$ 2,884
Per share:		
Basic	($0.27)	($0.15)
Diluted	($0.27)	($0.15)
Net income (loss) and comprehensive income attributable to:		
Shareholders	$ 60	$ 2,004
Non-controlling interests	950	880
	$ 1,010	$ 2,884
Per share:		
Basic	($0.27)	($0.15)
Diluted	($0.27)	($0.15)
Distributions and cash dividends declared:		
Common share dividends per share	$0.105	$0.10
Series A share dividends per share	$0.00	$0.25

Comparable Quarter Variance Analysis – By Segment

Segment	Revenue			Income from operations			Notes
	Q1'17	Q1'16	Variance	Q1'17	Q1'16	Variance	
Infrastructure	$ 39,947	$ 30,879	$ 9,068	$ 3,508	$ 4,658	$ (1,150)	(1)
Diversified	15,486	7,354	8,132	3,158	908	2,250	(2)
Energy	2,510	1,716	794	569	187	382	(3)
Real Estate	166	295	(129)	(38)	195	(233)	(4)
Corporate	-	-	-	(2,003)	(996)	(1,007)	(5)
	$ 58,109	**$ 40,244**	**$ 17,865**	**$ 5,194**	**$ 4,952**	**$ 242**	

Notes

(1) Revenue increase due to inclusion of new acquisition Bassi, partly offset by declines in Ambassador, Place-Crete and SECLP. Income from operations decline due to reduced operating income of SECLP and Ambassador, partly offset by inclusion of Bassi.

(2) Revenue and Income from operations increase due to inclusion of new acquisition Mackow.

(3) Revenue and Income from operations increase due to increased activity in Remote Waste's water treatment services business.

(4) Decrease in revenue and Income from operations due to elevated vacancy rates.

(5) Increase in corporate expenses due to recording of annual executive incentive cash compensation and costs associated with expanding Mosaic's executive and acquisition team.

INFRASTRUCTURE SEGMENT (AMBASSADOR, PLACE-CRETE, SECON AND BASSI)

Three-Month Financial Highlights

	Three months ended March 31,			
	2017	2016	Change	
Revenue	$ 39,947	$ 30,879	$ 9,068	+29%
Operating expenses	36,439	26,221	10,218	+39%
Income from operations	3,508	4,658	(1,150)	-25%

Revenue for Q1 2017 increased 29% over Q1 2016 primarily due to the inclusion of revenue from Bassi (acquired effective December 1, 2016), partly offset by declines in revenue at Ambassador, Place-Crete and SECLP due to reduced contracting activity.

Income from operations for Q1 2017 declined from the comparable period by 25% primarily due to declines in operating income at SECLP and Ambassador caused by reduced contracting activity. These declines were partly offset by the inclusion of the operating results of Bassi.

ENERGY SEGMENT (ALLIED CATHODIC AND REMOTE WASTE)

Three-Month Financial Highlights

	Three months ended March 31, 2017	2016	Change	
Revenue	$ 2,510	$ 1,716	$ 794	+46%
Operating expenses	1,941	1,529	412	+27%
Income from operations	569	187	382	+204%

The increase in revenue and income from operations was attributable primarily to increased activity levels in Remote Waste's water treatment services in the Canadian and U.S. markets.

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

Three-Month Financial Highlights

	Three months ended March 31, 2017	2016	Change	
Revenue	$ 15,486	$ 7,354	$ 8,132	+111%
Operating expenses	12,328	6,446	5,882	+91%
Income from operations	3,158	908	2,250	+248%

Revenue and income from operations during Q1 increased primarily due to the inclusion of the operations of Mackow (acquired effective August 1, 2016).

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 $11,635 respectively and an investment in a joint venture with a carrying value of $3,382 as at March 31, 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-Month Financial Highlights

	Three months ended March 31, 2017	2016	Change	
Revenue	$ 166	$ 295	$ (129)	-44%
Operating expenses	204	100	104	+104%
Income from operations	(38)	195	(233)	-119%

The decrease in income from operations during Q1, 2017 as compared to the comparable period 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 March 31,			
	2017	**2016**	**Change**	
Revenue	$ -	$ -	$ -	-
Operating expenses	2,003	996	1,007	+101%
Income from operations	(2,003)	(996)	(1,007)	-101%

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 Q1 2017 compared to Q1 2016 was primarily due to the recording of annual executive incentive cash compensation during the period and costs associated with expanding Mosaic's executive and acquisition team in accordance with the Company's growth strategy.

Equity-based Compensation

Equity-based compensation is included in corporate expenses as reported in the Q1 2017 condensed interim consolidated financial statements.

	Three months ended March 31,			
	2017	**2016**	**Change**	
Equity-based compensation	$ (205)	$ 102	$ (307)	-301%

The decrease in equity-based compensation in Q1 2017 was due to the reversal of a 2016 over-accrual for non-cash incentive compensation.

For Q1 2017, equity-based compensation had an impact on net income per common share of $0.02 (2016 - $0.01) per common share.

AMORTIZATION AND IMPAIRMENT OF ASSETS

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

	Three months ended March 31,			
	2017	**2016**	**Change**	
Amortization - income producing properties	$ 49	$ 49	$ -	0%
Amortization - property plant and equipment	1,417	940	477	+51%
Amortization - intangibles	1,531	686	845	+123%
Total	$ 2,997	$ 1,675	$ 1,322	+79%

For Q1 2017, total amortization had an impact on net income per common share of $0.30 (2016 - $0.20) 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. Amortization of intangibles increased in Q1 2017 compared to Q1 2016 due to the addition of the intangible assets of Mackow (effective August 1, 2016) and Bassi (effective December 1, 2016). 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 Q1 2017 Mosaic's share of intangibles amortization was $0.11 per common share (2016 - $0.06).

	Three months ended Mar. 31,			
	2017	2016	Change	
Net income and comprehensive income attributable to shareholders	$ 60	$ 2,004	$ (1,944)	-97
Mosaic's share of intangibles amortization	1,136	540	596	+110%
Net income and comprehensive income before intangibles amortization attributable to shareholders	$ 1,196	$ 2,544	$ (1,348)	-53%

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	4,408
2018	3,818
2019	5,784
2020	529
2021 and after	424
	14,963

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 Q1 2017, $950 (2016 - $880) of Mosaic's net income was allocated to non-controlling interests and distributions of $612 (2016 - $862) 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.

	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	June 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	June 30, 2015
From continuing operations								
Revenue	$ 58,109	$ 50,859	$ 57,811	$ 48,270	$ 40,244	$ 48,432	$ 51,743	$ 43,738
Operating expenses	52,915	47,910	51,115	43,131	35,292	44,168	46,130	38,470
Income from operations	5,194	2,949	6,696	5,139	4,952	4,264	5,613	5,268
Net income (loss) from continuing operations	1,010	(2,063)	3,179	3,547	2,884	3,046	3,210	3,967
Net income (loss) attributable to shareholders	$ 60	$ (489)	$ 1,782	$ 2,201	$ 2,004	$ 1,887	$ 1,353	$ 656
Net income (loss) per common share from continuing operations(1)								
Basic	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ 0.02	$ (0.08)	$ 0.02
Diluted	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ 0.02	$ (0.08)	$ 0.02
Net income (loss) per common share(1)								
Basic	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ (0.16)	$ (0.23)	$ (0.32)
Diluted	$ (0.27)	$ (0.44)	$ (0.18)	$ (0.13)	$ (0.15)	$ (0.16)	$ (0.23)	$ (0.32)

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 March 31, 2017, Mosaic had working capital of $52,381 (December 31, 2016 - $23,150) and a current ratio of 2.1:1 (December 31, 2016 – 1.3:1). Included in the working capital as of March 31, 2017 was cash of $21,053 (December 31, 2016 - $24,938).

The primary uses of cash during Q1 2017 were $24,500 for repayment of credit facility, $105,894 for redemption on 10% Preferred Securities, $26,789 for retraction on private yield securities, $893 for redemption on Series "A" shares, $1,140 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, $1,847 for repayment of notes payable, $1,093 paid to common shareholders as dividends, $612 for distributions paid to non-controlling interests, and $473 paid as final distributions to private yield security holders. Cash used by operating activities was $1,422. During Q1 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.

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 March 31, 2017.

Mosaic

The 2017 Credit Facility is a $35,000 revolving committed credit facility for the purposes of acquisitions, day to day operating requirements and capital expenditures. 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 March 31, 2017, Mosaic had no drawings $nil (December 31, 2015 - $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 2.00:1; (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 any specified subsidiary's net funded debt to EBITDA to exceed 1.00:1; or (v) 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 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 consolidated cash balance.

Summary of Credit Facility covenants as at March 31, 2017:

	Covenant	**As calculated**	
Net funded debt : EBITDA	Less than 2.00	0.37	Compliant
Total debt : Gross EBITDA	Less than 3.00	0.96	Compliant
FCCR	Greater than 1.10	1.15	Compliant
Individual subsidiary net funded debt to EBITDA	Less than 1.00	See below	All compliant
Aggregate subsidiary net funded debt to EBITDA	Less than 0.50	0.17	Compliant

It is management's view that the detailed calculations of the 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 Facility covenants for the period ended March 31, 2017:

FCCR

Cash Flow (as defined in credit facility):	***Notes***	
EBITDA - Mosaic share	(1)	21,776
less: Mosaic unfunded capex -100%		(4,779)
less: Mosaic cash taxes - 100%		(786)
Total Cash flow		16,211
Fixed Charges (as defined in credit facility):		
Preferred security distributions		10,976
Private yield securities distributions		2,109
Common share dividends		3,685
Series "A" dividends		66
Interest expense		1,722
Repayment of notes payable		5,416
Less: Net consolidated cash on hand	(1)	(9,855)
		14,119
Fixed Charge Ratio		1.15
Covenant		1.10
Room		0.05
	(1)	*Defined in 2017 Credit Facility*

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Net Funded Debt to EBITDA

Debt		Notes	
Operating loans			$ 2,182
Credit Facility			-
Notes payable	Current portion		5,398
Notes payable	Long-term portion		9,565
Convertible debentures	Debt portion		11,250
	Equity portion		794
Total Debt			**$ 29,189**
Less cash available	Consolidated basis		21,053
Net Funded Debt			**$ 8,136**

EBITDA			
	Gross	(1)	**$ 30,562**
	Mosaic Share ("Net")	(1)	**$ 21,776**

Covenant calculation		Net funded debt to Net EBITDA	Total Debt To Gross EBITDA
Ratio		0.37	0.96
Covenant	(1)	2.00	3.00
	(1)	*Defined in 2017 Credit Facility*	

Subsidiary Net Funded Debt to EBITDA

	Notes	Subsidiary EBITDA	Subsidiary Net Funded Debt	Covenant Calculation Ratio	Covenant Calculation Covenant
Specified Individual Subsidiaries					
Subsidiary 1	(1)	$ 2,837	$ 684	0.24	1.00
Subsidiary 2	(1)	$ 6,917	$ 2,573	0.37	1.00
Specified subsidiaries, in aggregate	(1)	$ 35,299	$ 5,856	0.17	0.50
	(1)	*EBITDA and Net Funded Debt defined in 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 March 31, 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. No amounts are drawn under this facility as of March 31, 2017 (December 31, 2016 - $nil).

Borrowings under the non-revolving facility bear interest at 3.32% (2015 – 3.32%) and are repayable in blended monthly payments over a 60-month period. No amounts are drawn under this facility as of March 31, 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 March 31, 2017, $2,182 (December 31, 2016 - $2,211) and $437 (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 March 31, 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 March 31, 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 March 31, 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 March 31, 2017, Core had drawn down $676 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 March 31, 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 favour 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 during Q1 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 Q1 2017 have been incurred in the Infrastructure, Energy, and Diversified segments.

	Three months ended March 31		
	2017	**2016**	**Change**
Growth capital expenditures			
Acquisitions	$ -	$ -	$ -
Additions	2,437	317	$ 2,120
	2,437	317	2,120
Sustaining Capital Expenditures	344	406	(62)
Total capital expenditures	$ 2,781	$ 723	$ 2,058

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	2,659
2018	3,095
2019	3,095
2020	2,203
2021 and after	3,038
	14,090

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 Financial Instruments

The 5% Debentures, 6% Preferred Securities and Warrants are financial instruments and 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 they were most readily valued. 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.

<u>5% Debentures</u>

The $50,000 of 5% Debentures have a face value of $1 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 March 31, 2017.

<u>6% Preferred Securities</u>

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; and (ii) the ten-day volume weighted average trading price of the 6% Preferred Securities.

<u>Warrants</u>

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 the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price as at the reporting date; risk-free interest rate; and the remaining expected life of the warrant. The inputs used in the Black-Scholes model are taken from observable market data.

In determining the fair value of the Warrants as at March 31, 2017, the Company used the Black-Scholes option pricing model with the following assumptions: weighted average volatility rate of 30%; risk-free interest rate of 1.50%; marketability discount of 50%; and expected life of seven years. The value of $21,418 was established on March 31, 2017 and the Warrants will be subsequently revalued at the end of each reporting period utilizing the Black-Scholes option pricing model. This revaluation as of March 31, 2017 resulted in a loss on fair value adjustment of $863.

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 March 31, 2017 is approximately $22.

OFF-BALANCE SHEET ARRANGEMENTS

Mosaic has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Rent of $526 for the three months ended March 31, 2017 (March 31, 2016 - $198) 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 March 31, 2017 (December 31, 2016 $nil).

SECURITIES DATA

As at May 15, 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	10,557,026	(1)		
Stock Options	500,343	(2)		
Restricted Securities Units – common shares (CS-RSUs)	342,017	(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 March 31, 2017, 288,005 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 10,128,580 represents the total common shares outstanding (10,416,585 - as at March 31, 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 $6.50 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

SUBSEQUENT EVENTS

On 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 plus a three-year earn out provision to be paid to the vendors if the business meets specified financial targets, subject to typical post-closing adjustments and was funded through a combination of cash ($14,000) and vendor take-back financing ($4,300). The vendor take back financing is payable in full on year three and bears interest at 5%. Existing management will remain in place. Mosaic is currently determining the fair value of the earn-out provision.

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 year ended December 31, 2016 and in the condensed interim consolidated financial statements for the three months ended March 31, 2017.

ACCOUNTING POLICIES

There have been no changes in accounting policies in the three months ended March 31, 2017.

The accounting policies of Mosaic used in the determination of the results for the three months ended March 31, 2017 are described in detail in Note 3 of Mosaic's audited consolidated financial statements for the year ended December 31, 2016. These policies have been applied in preparing the financial statements for the three months ended March 31, 2017, the comparative information presented in the financial statements for the year ended December 31, 2016, and the comparative information presented in the financial statements for the three months ended March 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. 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 - Leases. An entity applies IFRS 16 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 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 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 including the anticipated positive impact of the new U.S. manufacturing plant to be opened by Mackow in Fargo, North Dakota to the Diversified segment earnings during 2017; the anticipated impact of Bassi to the Infrastructure segment earnings in 2017; the expected additions to SECON's earnings and diversification of its revenue streams resulting from the acquisition of Tundra; the prospect for improved infrastructure spending in Ambassador's market during 2017; management's expectation that Printing Unlimited will continue to be a steady performer in 2017; the anticipated financial performance of Industrial Scaffold in 2017; the anticipated reduction in annual distributions to securityholders resulting from the Fairfax Financing; management's belief that Mosaic is entering a period of enhanced growth and improving financial performance; Mosaic's intention to be more aggressive in its acquisition program in 2017; 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; 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; the schedule of payments of principal amounts under vehicle financing, equipment loans, term loans, leasehold improvement loans, finance leases and notes payable; management's belief that Mosaic will be able to continue to meet its working capital requirements; the anticipated completion of acquisitions using uncommitted internal capital resources and debt or equity financing as available; the schedule of payments under operating leases and commitments to pay contingent consideration in relation to its business combinations; future accounting standards; the intention and ability of Mosaic to pay monthly dividends on its common shares; management's expectations concerning future plans, operations and expenditures; the competitive environment in which Mosaic and its business units operate; development plans, as well as acquisition and disposition plans, of Mosaic; the supply and demand for products and services; 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 interest 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; Mosaic's ability to execute its growth strategy; and 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 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; 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; 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 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.