ANNUAL FINANCIAL REVIEW

WE THINK tomorrow™

2020

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS 1

ACCOUNTING STANDARDS 1
FINANCIAL HIGHLIGHTS – CONSOLIDATED 2
SELECTED FINANCIAL DATA 4
SHAREHOLDER INFORMATION 6
EXECUTIVE SUMMARY 7
OUTLOOK 10
CORPORATE OVERVIEW 11
2020 CONSOLIDATED FINANCIAL RESULTS 20
2020 SEGMENTED INFORMATION 29
CAPITAL RESOURCES AND LIQUIDITY 37
FOURTH QUARTER 2020 – CONSOLIDATED FINANCIAL RESULTS 45
FOURTH QUARTER 2020 – SEGMENTED INFORMATION 52
SUMMARY OF QUARTERLY RESULTS 61
TRANSACTIONS WITH RELATED PARTIES 63
PRINCIPAL RISKS AND UNCERTAINTIES 64
CRITICAL ACCOUNTING ESTIMATES 79
SIGNIFICANT ACCOUNTING POLICIES 82
DISCLOSURE AND INTERNAL CONTROLS 83
FORWARD-LOOKING INFORMATION STATEMENTS 84
GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS 85

ANNUAL FINANCIAL REPORT 88

INDEPENDENT AUDITORS' REPORT 89
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 94
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 95
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 96
CONSOLIDATED STATEMENT OF CASH FLOWS 97
NOTES TO THE ANNUAL FINANCIAL STATEMENTS 98

CORPORATE INFORMATION ..... BC

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated February 10, 2021, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the fiscal year ended December 31, 2020, and should be read in conjunction with the audited annual consolidated financial statements for the fiscal year ended December 31, 2020 (the "**Annual Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information on Mullen Group, including the Annual Information Form dated February 10, 2021, are available on SEDAR at www.sedar.com and at www.mullen-group.com. Such documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Annual Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on February 10, 2021.

ACCOUNTING STANDARDS

The Annual Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). Unless otherwise indicated, all amounts contained in this MD&A are in Canadian funds, which is the functional currency of the Corporation.

ADVISORY:

Forward-looking statements *- This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are geopolitical risks including but not limited to a slowdown in the general economy, reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; e-commerce and supply chain evolution; acquisitions; competition; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; prevailing interest rates; employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; and litigation. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 64 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 84 of this MD&A.*

Non-GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These financial performance measures ("**Non-GAAP Terms**") are not recognized financial terms under Canadian generally accepted accounting principles ("**Canadian GAAP**"). For publicly accountable enterprises, such as Mullen Group, Canadian GAAP is governed by principles based on IFRS and interpretations of IFRIC. Management believes these Non-GAAP Terms are useful supplemental measures. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities. Specifically, operating margin[1], net income – adjusted[1], earnings per share – adjusted[1], net capital expenditures[1], net debt[1], total net debt[1] and cash flow per share[1] are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the reader's reference, the definition, calculation and reconciliation of Non-GAAP Terms are provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of this MD&A. The Non-GAAP Terms should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the forgoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.*

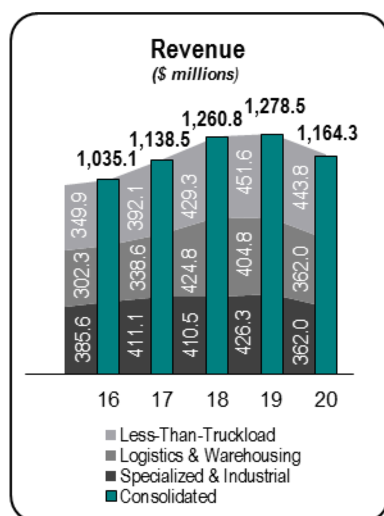
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

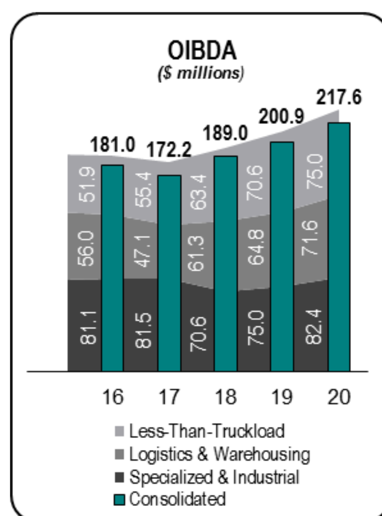
FINANCIAL HIGHLIGHTS – CONSOLIDATED

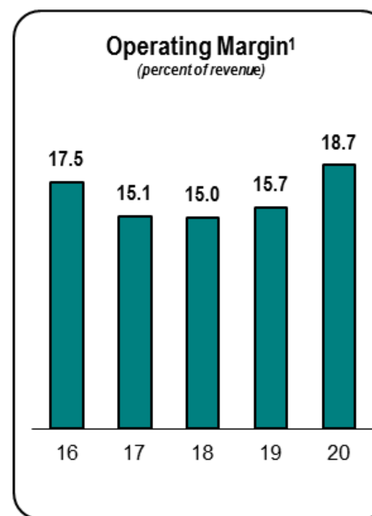
PERFORMANCE:		Years ended December 31	
($ millions, except share price and per share amounts)	**2020**	**2019**	**2018**
Financial Results			
Revenue	**$ 1,164.3**	$ 1,278.5	$ 1,260.8
Operating income before depreciation and amortization(1)	**217.6**	200.9	189.0
Net foreign exchange (gain) loss	**(2.4)**	(14.1)	8.5
Decrease in fair value of investments	**1.0**	—	3.1
Impairment of goodwill	**—**	—	100.0
Net income (loss)	**64.0**	72.2	(43.8)
Net income – adjusted(2)	**62.4**	48.2	62.0
Net cash from operating activities	**224.8**	170.6	140.7
Cash dividends declared	**33.2**	62.9	62.6
Financial Position			
Cash and cash equivalents	**$ 105.3**	$ 79.0	$ 3.9
Private Placement Debt	**461.7**	467.4	482.2
Private Placement Debt covenant (threshold 3.50:1)	**2.10:1**	2.30:1	2.46:1
Total assets	**1,717.9**	1,749.3	1,645.9
Share Information			
Cash dividends declared per Common Share	**$ 0.33**	$ 0.60	$ 0.60
Earnings (loss) per share – basic and diluted	**$ 0.64**	$ 0.69	$ (0.42)
Net cash from operating activities per share	**$ 2.23**	$ 1.63	$ 1.35
Earnings per share – adjusted(2)	**$ 0.62**	$ 0.46	$ 0.59
Share price – December 31	**$ 10.90**	$ 9.27	$ 12.21
Other Information			
Net capital expenditures(2)	**$ 50.4**	$ 68.5	$ 87.5
Acquisitions	**$ 20.2**	$ 15.7	$ 45.8

(1) *Management relies on operating income before depreciation and amortization ("**OIBDA**") as a measurement since it provides an indication of our ability to generate cash from our principal business activities prior to depreciation and amortization, financing or taxation in various jurisdictions. Effective January 1, 2019, the Corporation adopted IFRS 16 – Leases. As is permitted with this new standard, comparative information for previous years has not been restated.*

(2) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*







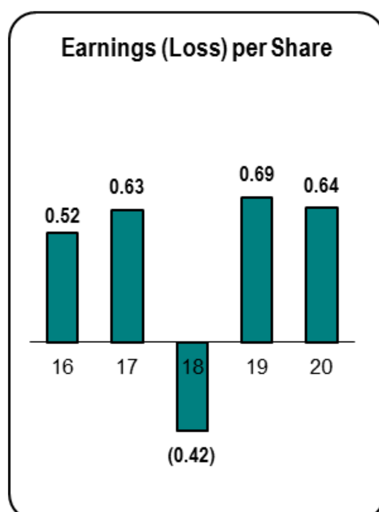
1 Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

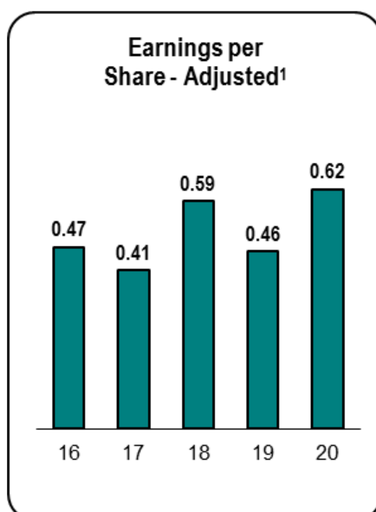
POSITION (as at December 31, 2020):

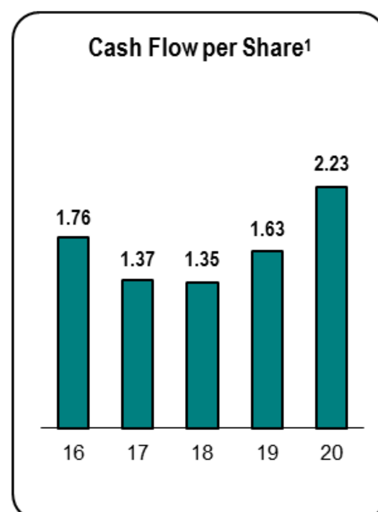
- Well-structured balance sheet
  - Working capital: $239.1 million (cash increased by $26.3 million to $105.3 million)
  - Unused Bank Credit Facility of $150.0 million
  - Net debt[1] of $357.3 million, which represents a debt to OIBDA ratio of 1.64:1
  - Private Placement Debt of $461.7 million (operating cash flow covenant at 2.10:1) with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum)
- Net book value of property, plant and equipment of $939.1 million, which includes $591.6 million of carrying costs of owned land and buildings
- Book value of Derivative Financial Instruments of $37.9 million, which swaps $229.0 million of U.S. dollar debt at an average foreign exchange rate of $1.1096

PROGRESS (for the year ended December 31, 2020):

- Revenue decreased by 8.9 percent due to changes in the economy associated with the COVID-19 pandemic ("**COVID-19**"):
  - Less-Than-Truckload decreased by 1.7 percent to $443.8 million
  - Logistics & Warehousing decreased by 10.6 percent to $362.0 million
  - Specialized & Industrial Services decreased by 15.1 percent to $362.0 million
- OIBDA increased 8.3 percent despite the decline in revenue, primarily due to:
  - Increased OIBDA in each of the three operating segments
  - Effective implementation of cost control initiatives
  - Lower operating costs, including fuel that declined by $19.3 million
  - $26.5 million received from the Canada Emergency Wage Subsidy ("**CEWS**")
- Repurchased 7,972,926 Common Shares in 2020 at an average price of $6.70 per share under the NCIB
- Net cash from operating activities increased by $54.2 million, or by 31.8 percent, to $224.8 million
- Completed two acquisitions for total cash consideration of $20.2 million







[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

SELECTED FINANCIAL DATA

Consolidated – Seven Year

Years ended December 31 ($ thousands) (unaudited)	2020 $	2019 $	2018 $	2017 $	2016 $	2015 $	2014 $
Revenue	**1,164,331**	1,278,502	1,260,798	1,138,489	1,035,059	1,214,372	1,427,851
Expenses							
Direct operating expenses	**796,541**	909,911	902,813	811,378	711,847	844,025	985,163
Selling and administrative expenses	**150,216**	167,679	168,970	154,953	142,179	140,928	157,947
Operating income before depreciation and amortization(1)	**217,574**	200,912	189,015	172,158	181,033	229,419	284,741
Depreciation and amortization	**101,590**	111,491	87,489	86,570	85,300	94,247	85,161
Finance costs	**28,464**	23,625	20,027	27,499	32,460	35,815	47,370(2)
Net foreign exchange (gain) loss	**(2,393)**	(14,140)	8,537	(21,693)	(5,778)	39,701	15,570
Other (income) expense	**3,779**	(201)	(445)	(504)	(2,694)	19,289	4,897
Impairment of goodwill	**—**	—	100,000	—	—	—	—
Gain on contingent consideration	**—**	—	—	(2,000)	—	(3,000)	—
Income (loss) before income taxes	**86,134**	80,137	(26,593)	82,286	71,745	43,367	131,743
Income tax expense	**22,155**	7,896	17,194	16,777	19,707	30,001	37,110
Net income (loss)	**63,979**	72,241	(43,787)	65,509	52,038	13,366	94,633

Segmented Information – Three Year

Years ended December 31 ($ thousands) (unaudited)	2020 $	2019 $	2018 $
Less-Than-Truckload Segment			
Revenue	**443,792**	451,582	429,286
Direct operating expenses	**307,786**	321,458	307,830
Selling and administrative expenses	**61,018**	59,503	58,120
Operating income before depreciation and amortization(1)	**74,988**	70,621	63,336
Operating margin(3)	**16.9%**	15.6%	14.8%
Logistics & Warehousing Segment			
Revenue	**362,007**	404,840	424,852
Direct operating expenses	**251,331**	294,617	316,637
Selling and administrative expenses	**39,090**	45,394	46,931
Operating income before depreciation and amortization(1)	**71,586**	64,829	61,284
Operating margin(3)	**19.8%**	16.0%	14.4%
Specialized & Industrial Services Segment			
Revenue	**362,041**	426,312	410,578
Direct operating expenses	**243,504**	302,946	288,925
Selling and administrative expenses	**36,185**	48,420	51,071
Operating income before depreciation and amortization(1)	**82,352**	74,946	70,582
Operating margin(3)	**22.8%**	17.6%	17.2%

(1) *Effective January 1, 2019, the Corporation adopted IFRS 16 – Leases. As is permitted with this new standard, comparative information for previous years has not been restated.*

(2) *Includes a one-time $20.0 million prepayment expense, which resulted from Mullen Group's decision to repay its Series A and Series B Notes prior to maturity.*

(3) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*

Other Information

Years ended December 31 *($ thousands)* *(unaudited)*	2020	2019	2018*	2017	2016	2015	2014
Ratios – Operating							
Return on equity[1]	**7.1%**	8.0%	3.5%	6.7%	5.9%	1.6%	10.5%
Gross margin – percentage of revenue[2]	**31.6%**	28.8%	28.4%	28.7%	31.2%	30.5%	31.0%
Selling and administrative expenses – percentage of revenue	**12.9%**	13.1%	13.4%	13.6%	13.7%	11.6%	11.1%
Operating margin[3]	**18.7%**	15.7%	15.0%	15.1%	17.5%	18.9%	19.9%
Operating ratio[4]	**90.5%**	93.2%	92.2%	92.4%	90.7%	90.4%	86.4%
Financial Position							
Acid test ratio[5]	**2.80:1**	2.74:1	1.74:1	1.76:1	1.88:1	1.85:1	4.16:1
Property, plant and equipment	**$939,107**	$954,604	$965,683	$916,140	$948,540	$992,206	$911,699
Total assets	**$1,717,936**	$1,749,292	$1,645,852	$1,750,657	$1,873,027	$1,817,035	$1,862,137
Long-term debt (including current portion)	**$607,872**	$616,842	$512,185	$539,973	$695,697	$780,901	$704,992
Equity	**$896,418**	$917,921	$898,076	$989,731	$960,410	$806,644	$900,943
Debt-to-equity ratio[6]	**0.68:1**	0.67:1	0.57:1	0.55:1	0.72:1	0.97:1	0.78:1
Total net debt to operating cash flow[7]	**2.10:1**	2.30:1	2.46:1	2.40:1	2.37:1	3.33:1	2.42:1
Net cash from operating activities	**$224,821**	$170,653	$140,710	$142,085	$174,314	$211,572	$248,585
Share Data							
Net cash from operating activities per share	**$2.23**	$1.63	$1.35	$1.37	$1.76	$2.31	$2.72
Book value per share[8]	**$9.26**	$8.76	$8.57	$9.55	$9.27	$8.80	$9.83
Earnings (loss) per share (basic)[9]	**$0.64**	$0.69	$(0.42)	$0.63	$0.52	$0.15	$1.04
Price/earnings ratio[10]	**17.0**	13.4	37.0	25.0	38.1	93.4	20.5
Weighted number of shares outstanding (thousands)	**100,624**	104,825	104,274	103,654	99,165	91,653	91,377
Total shares outstanding (thousands)	**96,852**	104,825	104,825	103,654	103,654	91,661	91,611

* 2018 operating ratios and share data are calculated before the effect of the impairment of goodwill.

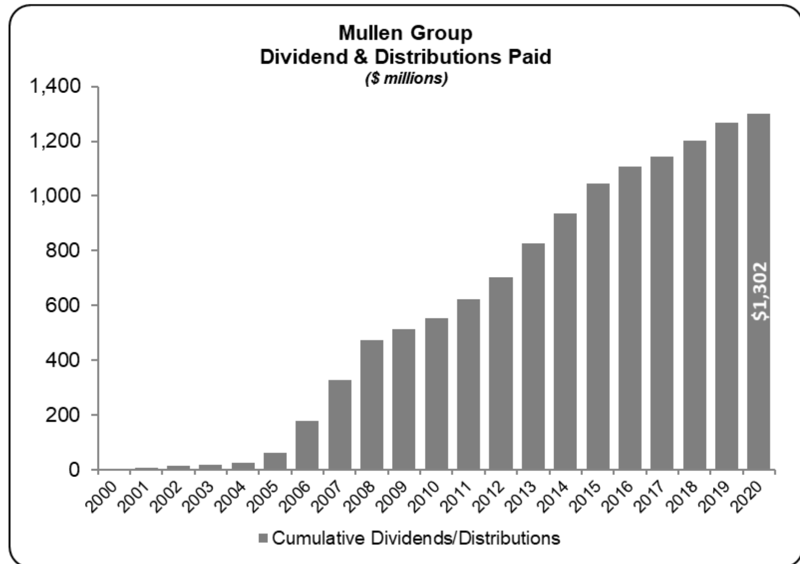
NOTES:

(1) Return on equity was calculated by dividing net income (loss) by average shareholders' equity.
(2) Gross margin was calculated by dividing revenue less direct operating costs by revenue.
(3) Operating margin was calculated by dividing operating income before depreciation and amortization by revenue.
(4) Operating ratio was calculated by dividing the total cost before impairment of goodwill, taxes, interest, earnings from equity investments and net gains and losses on foreign exchange, as a percentage of revenue.
(5) Acid test ratio was calculated by dividing cash (bank indebtedness) plus receivables by current liabilities.
(6) Debt-to-equity ratio was calculated by dividing total debt by shareholders' equity.
(7) Total net debt to operating cash flow was calculated as per the financial covenant terms within the Private Placement Debt agreement.
(8) Book value per share was calculated by dividing shareholders' equity by the number of shares outstanding.
(9) Earnings (loss) per share was calculated by dividing net income (loss) by the weighted average number of shares outstanding.
(10) Price/earnings ratio was calculated by dividing the year-end closing price by earnings (loss) per share adjusted for the impairment of goodwill.

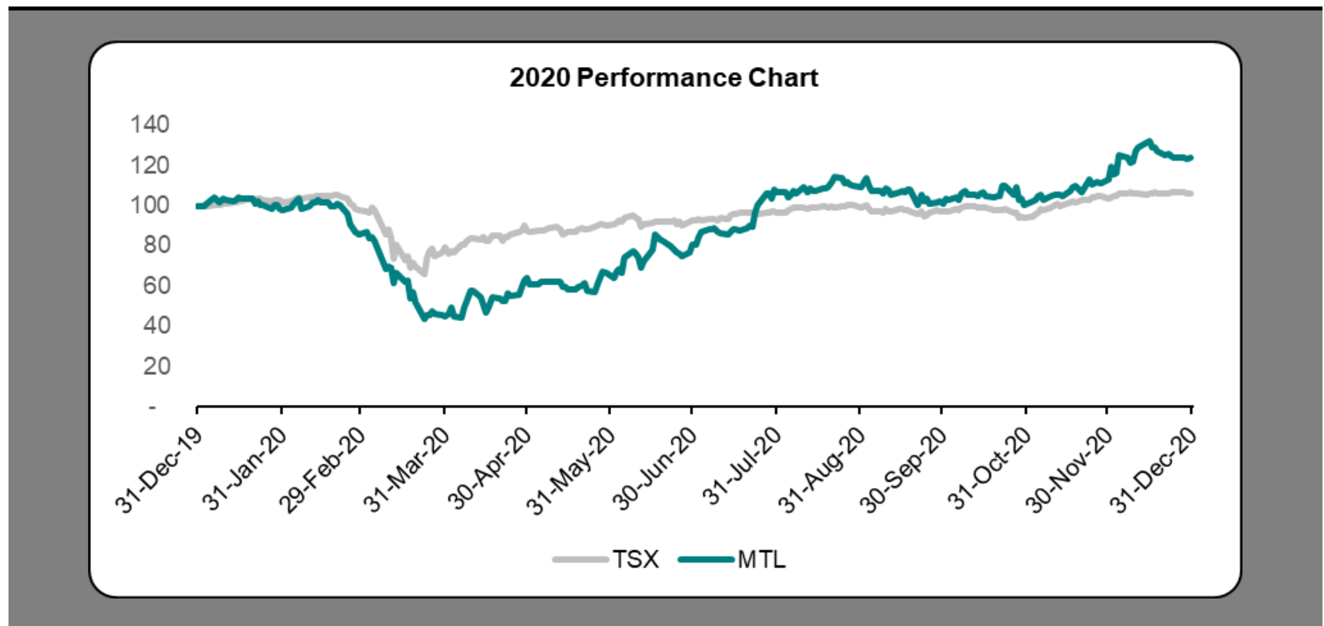
SHAREHOLDER INFORMATION

*Mullen Group's shares are listed on the Toronto Stock Exchange ("**TSX**") under the trading symbol MTL.*

Our acquisition strategy is focused on generating free cash and is designed to ensure we build a better company – not a bigger company. Through our commitment to disciplined capital allocation and our diversified and stable portfolio of cash generating Business Units (as hereafter defined on page 13), we have generated substantial free cash in excess of our operating needs, year after year. This has allowed us to surpass $1.3 billion in cumulative dividends and distributions to our investors in the past twenty years. In addition, during 2020 we returned a further $53.4 million to shareholders by repurchasing and retiring 8.0 million Common Shares at an average price of $6.70 per share.



The following graph illustrates the cumulative return of our Common Shares for 2020, assuming an initial investment of $100 on December 31, 2019, compared to the S&P/TSX Composite Total Return Index, assuming the reinvestment of all declared dividends.



EXECUTIVE SUMMARY

Our results for 2020 need to be reviewed within the context of the outbreak of COVID-19. Business has been interrupted with some sectors of the economy bearing the brunt of the government mandated closures. The supply chain has been tested to the limit due to bottlenecks, constraints and changes in consumer buying habits, the most notable being an explosion in E-Commerce transactions. Yet through it all, our business performed remarkably well as evidenced by our fourth quarter and full year results. It is during disruptive times like this past year that having a diversified business model, both by service offering and geographic coverage, is validated and becomes more appreciated. But the real credit for our strong performance last year goes to our 34 independent managed Business Units (as hereafter defined on page 13) and the nearly 6,000 hard-working essential workers that somehow made it all happen. We couldn't be prouder of their professionalism, their support of each other and for keeping everyone safe.

2020 was a different kind of year but it was one that we think our shareholders will consider as pretty good. Our results were acceptable under the circumstances with operating profitability up year over year along with one of the strongest cash generating years we have ever had. We executed the share buyback program to near perfection, repurchasing 8.0 million Common Shares at an average price of $6.70. And with over $100.0 million of cash on the balance sheet, we are well positioned to capitalize on new opportunities or to meet the potential challenges that a lingering COVID-19 might bring. And while we are hopeful that this virus can be brought under control sooner rather than later, along with a return to something we can say is normal, the truth is no one knows for sure. So, we will keep one eye open for a good acquisition, one that makes financial sense and can provide a future platform for growth, but the other eye keenly focused on what we see in front of us, including working alongside and supporting our well managed Business Units. Positioning this organization to be successful over the long term is my number one objective.

Mullen Group operates a diversified business model which is highly correlated to consumer spending combined with a highly adaptable and variable cost structure. The financial results for the three month period ended December 31, 2020, are as follows:

- generated consolidated revenue of $297.7 million, a decrease of $16.9 million, or 5.4 percent, as compared to $314.6 million in 2019 due to the negative impact of COVID-19 resulting in:
  - an increase of $2.1 million, or 1.8 percent, to $116.3 million in the Less-Than-Truckload segment
  - a decrease of $5.4 million, or 5.3 percent, to $96.8 million in the Logistics & Warehousing segment
  - a decrease of $15.2 million, or 15.2 percent, to $84.8 million in the Specialized & Industrial Services segment
- earned consolidated OIBDA of $52.2 million, an increase of $2.3 million as compared to $49.9 million in 2019 due to cost control initiatives and $5.3 million received from the CEWS resulting in:
  - an increase of $2.1 million, or 12.6 percent, to $18.8 million in the Less-Than-Truckload segment
  - an increase of $0.5 million, or 2.6 percent, to $20.0 million in the Logistics & Warehousing segment
  - an increase of $0.9 million, or 5.4 percent, to $17.7 million in the Specialized & Industrial Services segment

<u>Fourth Quarter Financial Results</u>

Revenue decreased by $16.9 million, or 5.4 percent, to $297.7 million and is summarized as follows:

- Less-Than-Truckload segment up $2.1 million, or 1.8 percent, to $116.3 million – revenue improved by $2.1 million due to the incremental revenue generated from the acquisition of Pacific Coast Express Limited ("**PCX**") and the steady nature of consumer demand being partially offset by COVID-19 and $3.1 million of lower fuel surcharge revenue.
- Logistics & Warehousing segment down $5.4 million, or 5.3 percent, to $96.8 million – revenue declined by $5.4 million due to COVID-19 and government restrictions which led to plant closures and supply chain

disruptions resulting in lower freight volumes and spot prices along with $2.4 million of lower fuel surcharge revenue.

- Specialized & Industrial Services segment down $15.2 million, or 15.2 percent, to $84.8 million – revenue declined by $15.2 million due to lower demand for fluid hauling and drilling related services resulting from low oil prices, curtailed maintenance programs and a lack of drilling activity. Revenue also declined due to lower demand for water management services and pumps at Canadian Dewatering L.P. ("**Canadian Dewatering**"). These decreases were partially offset by greater demand for large diameter pipeline hauling and stringing services at Premay Pipeline Hauling L.P. ("**Premay Pipeline**").

OIBDA increased by $2.3 million, or 4.6 percent, to $52.2 million and is summarized as follows:

- Less-Than-Truckload segment up $2.1 million, or 12.6 percent, to $18.8 million – OIBDA improved due to lower fuel costs, $0.9 million of incremental OIBDA generated by PCX, and CEWS. Operating margin[1] increased to 16.2 percent (CEWS adjusted – 15.2 percent) from 14.6 percent in 2019 due to lower fuel prices and cost control initiatives.

- Logistics & Warehousing segment up $0.5 million, or 2.6 percent, to $20.0 million – OIBDA improved due to strong results at DWS Logistics Inc. ("**DWS**"), the incremental OIBDA generated by International Warehousing & Distribution Inc. ("**IWD**"), and CEWS being partially offset by higher Contractors expense and the negative variance in foreign exchange. Operating margin[1] improved to 20.7 percent (CEWS adjusted – 19.5 percent) from 19.1 percent in 2019 due to lower diesel fuel prices.

- Specialized & Industrial Services segment up $0.9 million, or 5.4 percent, to $17.7 million – OIBDA improved due to greater demand for large diameter pipeline hauling and stringing services, and CEWS. These increases were partially offset by lower OIBDA from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for water management services and pumps at Canadian Dewatering. Operating margin[1] improved to 20.9 percent (CEWS adjusted – 17.2 percent) from 16.8 percent in 2019 due to lower fuel costs, a greater proportion of higher margin revenue and cost control measures.

Net income increased by $1.7 million to $10.1 million, or $0.10 per Common Share due to:

- A $7.9 million decrease in depreciation of property, plant and equipment, a $2.3 million increase in OIBDA and a $0.8 million decrease in the amortization of intangible assets and depreciation of right-of-use assets.

- The above was partially offset by a $4.3 million increase in the loss on sale of property, plant and equipment, a $2.4 million negative variance in net foreign exchange, a $1.0 million increase in income tax expense, a $0.9 million increase in finance costs and a $0.8 million decrease in earnings from equity investments.

<u>Year End Financial Results</u>

Revenue decreased by $114.2 million, or 8.9 percent, to $1,164.3 million and is summarized as follows:

- Less-Than-Truckload segment down $7.8 million, or 1.7 percent, to $443.8 million – revenue declined slightly by 1.7 percent reflecting the steady nature of consumer demand. COVID-19 negatively impacted consumer demand in the spring but was largely offset by robust spending later in 2020. Revenue declined due to lower freight demand in Alberta and $12.2 million of lower fuel surcharge revenue being partially offset by $19.1 million of incremental revenue from acquisitions.

- Logistics & Warehousing segment down $42.8 million, or 10.6 percent, to $362.0 million – revenue declined by $42.8 million due to COVID-19 and government restrictions resulting in plant closures and a lack of investment by business as well as $8.9 million of lower fuel surcharge revenue. This negatively impacted both freight volumes and spot prices.

- Specialized & Industrial Services segment down $64.3 million, or 15.1 percent, to $362.0 million – revenue declined by $64.3 million due to the collapse in oil prices resulting in customers significantly reducing both maintenance and drilling programs. Revenue also declined due to lower demand for water management

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

services and pumps at Canadian Dewatering. Somewhat offsetting these declines was greater demand for large diameter pipeline hauling and stringing services at Premay Pipeline as well as greater demand for civil construction services at Smook Contractors Ltd. ("**Smook**").

OIBDA increased by $16.7 million, or 8.3 percent, to $217.6 million and is summarized as follows:

- Less-Than-Truckload segment up $4.4 million, or 6.2 percent, to $75.0 million – OIBDA improved due to the $3.2 million of incremental OIBDA generated from acquisitions and $4.7 million of CEWS. These increases were somewhat offset by COVID-19 and a weakened Alberta market. Operating margin[1] increased to 16.9 percent (CEWS adjusted – 15.8 percent) from 15.6 percent in 2019 due to lower fuel costs and cost control initiatives.

- Logistics & Warehousing segment up $6.8 million, or 10.5 percent, to $71.6 million – OIBDA improved due to the strong performance at Kleysen Group Ltd. ("**Kleysen**") and $6.1 million of CEWS. Despite COVID-19, operating margin[1] improved to 19.8 percent (CEWS adjusted – 18.1 percent) from 16.0 percent in 2019 due to lower overall operating costs.

- Specialized & Industrial Services segment up $7.4 million, or 9.9 percent, to $82.4 million – OIBDA improved due to greater demand for large diameter pipeline hauling and stringing services, and $15.7 million of CEWS. These increases were partially offset by lower OIBDA from those Business Units directly tied to oil and natural gas drilling activity, and from those involved in the transportation of fluids and servicing of wells. Operating margin[1] improved to 22.8 percent (CEWS adjusted – 18.4 percent) from 17.6 percent in 2019 due to a greater proportion of higher margin revenue and cost control initiatives.

Net income decreased by $8.2 million to $64.0 million, or $0.64 per Common Share due to:

- A $14.2 million increase in income tax expense, an $11.7 million negative variance in net foreign exchange, a $4.9 million increase in finance costs, a $2.3 million increase in the loss on sale of property, plant and equipment, a $1.1 million decrease in earnings from equity investments and a $1.0 million negative variance in the fair value of investments.

- The above was partially offset by a $16.7 million increase in OIBDA, an $8.1 million decrease in depreciation of property, plant and equipment, a $1.7 million decrease in amortization of intangible assets, and a $0.4 million gain on fair value of equity investment.

Financial Position

The following summarizes our financial position as at December 31, 2020, along with some key changes that occurred during the fourth quarter of 2020:

- Working capital of $239.1 million including $105.3 million of cash and cash equivalents and an undrawn Bank Credit Facility (as hereafter defined on page 19) of $150.0 million.

- Total net debt[1] ($462.8 million) to operating cash flow ($220.1 million) (as hereafter defined on page 41) of 2.10:1 as defined per our Private Placement Debt (as hereafter defined on page 24) agreement.

- Private Placement Debt of $461.7 million with no scheduled maturities until 2024 (average fixed rate of 3.93 percent per annum). Private Placement Debt decreased by $13.9 million due to the foreign exchange gain on our U.S. $229.0 million debt.

- Book value of Derivative Financial Instruments down $14.0 million to $37.9 million, which swaps our $229.0 million of U.S. dollar debt at an average foreign exchange rate of $1.1096.

- Net book value of property, plant and equipment of $939.1 million, which includes $591.6 million of carrying costs of owned real property.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

OUTLOOK

This past year is beyond anything one could imagine. The spread of this fast moving virus, known to all as COVID-19, virtually caught the world by surprise. It has disrupted lives, world economies and companies. And from our perspective there is little end in sight, other than the potential for a massive vaccination on a scale never witnessed before. We all live in hope.

Our 2020 results are a reflection of the diversified nature of our business model, which today is highly correlated to the consumer, the largest component of the economy, and remarkably the most resilient despite COVID-19. Consumer spending on everything from basic needs to discretionary household items was robust beginning in the later part of the second quarter, fueling the demand for trucking, logistics and warehousing during the last half of the year. In fact, demand remained quite strong right through year end as evidenced by our solid performance in the fourth quarter. Of course portions of the economy were not so fortunate, including the travel, hotel, hospitality and capital intensive industries like the oil industry, explaining why the overall Canadian economy underperformed. The net impact from COVID-19 was clearly negative from an economic perspective and is the reason our overall revenue was down 8.9 percent year over year. In terms of operating profitability, however, we were very successful with OIBDA actually increasing by 8.3 percent. We attribute the increase to having a well-thought-out COVID-19 Action Plan that was implemented the first week of March 2020, the outstanding performance of several of our independently managed Business Units (as hereafter defined on page 13) and government support in the form of CEWS. But even without the benefit of CEWS, our business performed very well and we are confident in saying that if COVID-19 had not emerged we would have actually had a great year and in line with what we articulated in the February 2020 shareholder update.

As we enter 2021, COVID-19 remains the single biggest obstacle that must be navigated. Expectations are for the consumer to remain the predominate economic engine accompanied by a recovery in the oil industry due to higher crude oil prices. However, we are realists and know that the economy will not reach full potential until the virus has been stopped. Our core business should be consistent with last year and we intend on using our balance sheet to pursue acquisitions, invest in strategic facilities and for growth capital. We enter 2021 with over $100.0 million in cash, a well-structured balance sheet and an unused Bank Credit Facility (as hereafter defined on page 19) of $150.0 million.

[The remainder of this page intentionally left blank.]

CORPORATE OVERVIEW

Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol "**MTL**". We are one of Canada's largest logistics providers. Our network of independently operated businesses provide a wide range of service offerings including less-than-truckload ("**LTL**"), truckload, warehousing, logistics, transload, oversized and specialized hauling transportation. In addition, we provide a diverse set of specialized services related to the energy, mining, forestry and construction industries in western Canada, including water management, fluid hauling and environmental reclamation.

Objective – Maximize Shareholder Value

We strive to maximize the overall returns to shareholders, over the long-term, by focusing on the following strategies:

- *Focused Growth*
- *Return Free Cash to Shareholders*
- *Maintain a Well-Structured Balance Sheet*
- *Strive for Operational Excellence*
- *Operate a Decentralized Business Model*

Focused Growth

Our approach to achieving maximum overall returns to shareholders is based upon the following strategic components:

- Deploy capital to expand business over the long-term.
- Invest in sectors of the economy where we believe future growth opportunities exist.
- Invest in accretive acquisitions – acquire competing, complementary or new business lines that can accelerate growth over the long-term.
- Diversify – continue to grow and invest where opportunities exist in the three sectors of the economy where we have strong market penetration and customer relationships, namely, the Less-Than-Truckload segment through our final mile delivery network, the Logistics & Warehousing segment including a wide range of trucking and logistics services and the Specialized & Industrial Services segment providing specialized equipment and services to several different industries.

Since going public in 1993, Mullen Group, and its predecessors the Mullen Group Income Fund and Mullen Transportation Inc., have grown annual revenues from $72.6 million in 1993 to approximately $1.2 billion in 2020. During this period over 71 acquisitions have been completed.

Return Free Cash to Shareholders

One of our objectives is to build a business that generates cash in excess of our operating and financing requirements, funds that can be returned to shareholders through dividends or reinvested to grow the business.

During 2020 we paid dividends of $0.35 per Common Share. In 2019 we paid annual dividends of $0.60 per Common Share. On December 9, 2020, we announced our intention to pay annual dividends of $0.48 per Common Share ($0.04 per Common Share on a monthly basis) for 2021, subject to the Board approval. Since going public in 1993, we have distributed over $1.3 billion in cash dividends and distributions to our shareholders.

Maintain a Well-Structured Balance Sheet

We strive to maintain a balance sheet structured in such a manner to ensure that sufficient liquidity is maintained to allow us to meet our liabilities and corporate objectives under both normal and stressed conditions. In terms of liabilities, we maintain sufficient liquidity to not only meet our obligations when due, but to avoid incurring unacceptable losses or risking damage to our reputation. Furthermore, we have balanced our equity with a reasonable proportionate use of structured long-term debt. Most notably, we use Private Placement Debt (as hereafter defined on page 24), which matures in 2024 and 2026 and has a 3.5 times total net debt[1] to operating cash flow (as hereafter defined on page 42) covenant.

We generated $224.8 million in net cash from operating activities (2019 – $170.6 million). At December 31, 2020, we had $239.1 million of working capital (2019 – $243.3 million), including $105.3 million of cash and cash equivalents and an undrawn $150.0 million Bank Credit Facility (as hereafter defined on page 19), a debt-to-equity ratio of 0.68:1 (2019 – 0.67:1) and a total net debt[1] to operating cash flow of 2.10:1 (2019 – 2.30:1). Our total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables the Corporation to include the trailing twelve months operating cash flows for acquisitions. We have not included the trailing twelve months of operating cash flows from our most recent acquisitions in our calculations.

Strive for Operational Excellence

Our business is managed upon the basic principles of generating superior profitability, striving for excellence in safety and committing to the process of continuous improvement. Operating in a team environment, we challenge ourselves to make decisions on all aspects relating to the operations of the business, improve customer service, enhance business processes, maintain cost controls, obtain excellence in safety and generate superior profitability. We evaluate operational excellence by benchmarking the financial performance, safety statistics and return on invested capital of each Business Unit.

Operate a Decentralized Business Model

We operate a decentralized business model that is non-hierarchical in nature. Each Business Unit is held accountable for its own performance and results. The management and employees of the Business Units (as hereafter defined on page 13) are remunerated based upon the performance of their respective business. Corporate Office (as hereafter defined on page 13) provides overall support to the Business Units by coordinating business strategies, monitoring financial and business performance and providing shared services on an as-needed basis. In addition, the Corporate Office has invested significantly in real estate holdings and operating facilities, mainly for use by the Business Units. The carrying costs of such holdings at December 31, 2020, was $591.6 million (2019 – $571.4 million).

We believe this model generally results in superior customer service, lower costs and provides greater operational flexibility as compared to a fully-integrated business model. Giving responsibility and the necessary authority to the Business Unit encourages greater entrepreneurship and innovation as the teams are empowered and rewarded for their actions.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Business

The business is operated through a network of wholly-owned companies and limited partnerships (the "**Business Units**"). The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, legal support, technology and systems support, shared services and strategic planning (the "**Corporate Office**") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("**MT**"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased to the Business Units by MT on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level.

2020 New Operating Segments

On January 1, 2020, we commenced reporting our financial results in three new segments: Less-Than-Truckload; Logistics & Warehousing; and Specialized & Industrial Services. The change in segment reporting structure more accurately reflects our strategic direction and the business of Mullen Group today and aligns with how financial information was reviewed internally for the purpose of decision-making; capital allocation and assessing performance. Our results were reported in the following segments.

Less-Than-Truckload Segment

Less-Than-Truckload consisted of 9 regionally focused Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

Service Offerings	*Key Drivers and Considerations*
• *Less-Than-Truckload Trucking (LTL)*	• *Regional network comprised of 109 terminals;* • *Tied to consumer needs*
• *Ambient Temperature Controlled Transportation*	• *Tied to the movement of healthcare products*

Less-Than-Truckload Segment:

		Number of Units		
Business Unit	**Primary Service Region**	**Power Units**	**Trailers**	**Other***
Argus Carriers Ltd.(1)	Lower Mainland British Columbia	59	48	13
Courtesy Freight Systems Ltd.	Northern Ontario	45	45	37
Gardewine Group Limited Partnership	Manitoba and Ontario	901	1710	344
Grimshaw Trucking L.P.	Northern Alberta	138	339	53
Hi-Way 9 Express Ltd.(2) (3) (4)	Southern Alberta	318	650	44
Inter-Urban Delivery Service Ltd.(1)	Lower Mainland British Columbia	50	34	—
Jay's Transportation Group Ltd.	Saskatchewan	232	380	165
Number 8 Freight Ltd.	Lower Mainland British Columbia	66	1	8
Pacific Coast Express Limited(5)	Western Canada	56	78	20

* *Other includes miscellaneous equipment such as: pick-ups, warehousing and yard equipment.*
(1) *Acquired July 1, 2019.*
(2) *On January 1, 2019, the operations of Bernard Transport Ltd. were combined into Hi-Way 9 Express Ltd.*
(3) *Includes Jen Express Inc., which was acquired on May 1, 2019.*
(4) *On January 1, 2020, the operations of Load-Way Ltd. and Streamline Logistics Inc., were integrated into Hi-Way 9 Express Ltd.*
(5) *Acquired September 1, 2020.*

Logistics & Warehousing Segment

The Logistics & Warehousing segment consisted of 10 Business Units that provide shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

Service Offerings	*Key Drivers and Considerations*
• *Long-Haul Trucking (T/L)*	• *Tied to general economy (i.e., GDP)*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk Hauling*	• *Primarily contract services*

Logistics & Warehousing Segment:

		Number of Units		
Business Unit	**Primary Service Provided**	**Power Units**	**Trailers**	**Other***
24/7 The Storehouse (2015) Ltd.	Value-Added Warehousing and Distribution Services	—	—	25
Caneda Transport Ltd.	LTL & Irregular Route Truckload	55	91	8
Cascade Carriers L.P.	Dry Bulk Freight	91	385	12
DWS Logistics Inc.	Value-Added Warehousing and Distribution Services	—	—	62
International Warehousing & Distribution Inc.(1)	Value-Added Warehousing and Distribution Services	3	46	1
Kleysen Group Ltd.	Irregular Route Truckload & Multi-Modal	277	909	903
Mullen Trucking Corp.	Irregular Route Truckload & Specialized Transportation	104	279	38
Payne Transportation Ltd.	Irregular Route Truckload & Specialized Transportation	151	230	10
RDK Transportation Co. Inc.	Irregular Route Truckload & Specialized Transportation	59	108	4
Tenold Transportation Ltd.	Irregular Route Truckload & Specialized Transportation	66	59	33

* *Other includes miscellaneous equipment such as: pick-ups, rail cars, containers, and warehousing and yard equipment.*
(1) *Acquired October 2020.*

Specialized & Industrial Services Segment

Specialized & Industrial Services consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

Service Offerings	*Key Drivers and Considerations*
• *Production Services*	• *Commodity prices (i.e., oil and natural gas)*
• *Specialized Services* – oil sands, dewatering and infrastructure	• *Drilling trends and evolving technologies* • *Take-away / Pipeline Capacity*
• *Drilling and Drilling Related*	• *Drilling activity in western Canada*

Specialized & Industrial Services Segment:				
		Number of Units		
Business Unit	**Primary Service Provided**	**Power Units**	**Trailers**	**Other***
Canadian Dewatering L.P.	Water Management Services	2	44	1,780
Cascade Energy Services L.P.	Production services, Turnaround and Industrial Cleaning Services	334	452	99
Canadian Hydrovac Ltd.	Hydrovac Excavation Services	29	—	9
E-Can Oilfield Services L.P.	Fluid Transportation	156	130	48
Envolve Energy Services Corp.	Processing and Disposal of Oilfield Fluids	—	—	3
Formula Powell L.P.	Mud / Fluid Transportation & Warehousing	50	420	78
Heavy Crude Hauling L.P.(1)	Fluid Transportation	138	325	28
Mullen Oilfield Services L.P.(2)	Rig Relocation Services	170	344	44
OK Drilling Services L.P.	Conductor Pipe Setting	8	18	24
Premay Equipment L.P.	Specialized Heavy Haul	34	315	40
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation	84	225	90
Recon Utility Search L.P.	Hydrovac Excavation Services	15	5	7
Smook Contractors Ltd.	Civil Construction	43	74	110
Spearing Service L.P.	Fluid Transportation	219	582	55
TREO Drilling Services L.P.	Core Drilling	20	98	41

* *Other includes miscellaneous equipment such as: pick-ups, mounted dri-prime diesel pumps, submersible pumps, earthmoving equipment, yard equipment and containers.*
(1) *On April 1, 2020, the operations of R. E. Line Trucking (Coleville) Ltd. were combined into Heavy Crude Hauling L.P.*
(2) *On January 1, 2020, the operations of Withers L.P. were combined into Mullen Oilfield Services L.P.*

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 10, 2021, and is available on SEDAR at www.sedar.com, our website at www.mullen-group.com or upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com.

Human Resources

As at December 31, 2020, approximately 5,600 people were employed or engaged by the Business Units and at Corporate Office. These people include owner operators and dedicated subcontractors engaged by the Business Units. This compares to approximately 6,100 people in 2019. This decrease is mainly due to a reduction in employee headcount within the Specialized & Industrial Services segment resulting from decreased activity levels. The Less-Than-Truckload segment experienced a slight decrease in the number of employees, while employment levels within the Logistics & Warehousing segment and the Corporate Office remained consistent on a year over year basis.

Capital Allocations

Normal Course Issuer Bid

On March 4, 2020, we announced a normal course issuer bid ("**NCIB**"), commencing March 9, 2020, to purchase for cancellation up to 7,972,926 Common Shares in the open market on or before March 8, 2021. As at December 31, 2020, we had repurchased and cancelled 7,972,926 Common Shares for $53.4 million under this NCIB program. All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange. The NCIB can be cancelled at the discretion of the Corporation at any time. At December 31, 2020, the Corporation had 96,852,047 Common Shares issued and outstanding. This completed the NCIB as the Corporation repurchased the maximum allowable number of Common Shares under the program. Early in 2020, we announced a plan to allocate $100.0 million over the course of three years to repurchase Common Shares of Mullen Group via an authorized share buyback program. In 2021 we intend on requesting approvals from the TSX to renew a share buyback program.

As at March 4, 2020, the average daily trading volume of the Common Shares on the Exchange ("**ADTV**") for the most recently completed six calendar months was 266,914. Pursuant to the Exchange policies, the maximum

number of Common Shares that may be purchased in one day pursuant to the NCIB was the greater of 1,000 and 25.0 percent of ADTV, which amounts to 66,728 Common Shares, subject to certain prescribed exceptions.

The Corporation entered into an automatic securities purchase plan (the "**ASPP**") with its broker, to allow for the repurchase of Common Shares at all times during the course of the NCIB including when the Corporation ordinarily would not be active in the market due to its own internal trading blackout periods, insider trading rules or otherwise. The funding for the purchase of Common Shares under the NCIB is financed out of the working capital of the Corporation. The ASPP can be cancelled at the discretion of the Corporation at any time.

Dividends

On February 12, 2020, we announced our intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2020. On March 20, 2020, Mullen Group announced the temporary suspension of the monthly dividend of $0.05 per Common Share for three months, effective April 1, 2020. The suspension of the dividend was in response to the government mandated closure of many businesses, steps initiated to stop the spread of COVID-19. On July 22, 2020, we announced the reinstatement of the monthly dividend by paying $0.03 per Common Share on a monthly basis. In 2020 we declared dividends totalling $0.33 per Common Share (2019 – $0.60 per Common Share). At December 31, 2020, we had 96,852,047 Common Shares outstanding and a dividend payable of $2.9 million (December 31, 2019 – $5.2 million), which was paid on January 15, 2021.

On January 22, 2021, the Board declared a monthly dividend of $0.04 per Common Share to be paid on February 16, 2021 to the holders of record at the close of business on January 31, 2021. On December 9, 2020, we announced our intention to pay annual dividends of $0.48 per Common Share ($0.04 per Common Share on a monthly basis) for 2021. The Board will continue to consider the amount of and the record date for the monthly dividend.

Capital Expenditures

In 2020 gross capital expenditures on a pre-consolidated basis were $67.0 million as compared to $80.5 million in 2019, including $2.1 million of equipment transferred between segments, to improve asset utilization. These capital expenditures were comprised of $25.2 million in the Less-Than-Truckload segment (2019 – $26.3 million), $7.7 million in the Logistics & Warehousing segment (2019 – $17.2 million), $11.4 million in the Specialized & Industrial Services segment (2019 – $19.9 million) and $22.7 million in the Corporate Office (2019 – $17.1 million). The $13.5 million decrease in gross capital expenditures was mainly due to the delay in new equipment arriving, which resulted from the impact of COVID-19 and the corresponding plant shutdowns and disruptions to the supply chain. The majority of the capital invested in the Less-Than-Truckload segment mainly consisted of trucks and trailers to support growth opportunities as well as replace some older less efficient equipment. The majority of the capital invested in the Logistics & Warehousing segment mainly consisted of growth capital to expand our service offerings and rail capacity at our Edmonton, Alberta distribution center as well as purchase trucks, trailers and various pieces of operating equipment to replace some older less efficient equipment. The majority of the capital invested in the Specialized & Industrial Services segment mainly consisted of various pieces of operating equipment to support strong demand at Premay Pipeline, to support growth opportunities at Cascade Energy Services L.P. ("**Cascade Energy**") and to replace some equipment at Smook. In the Corporate Office, capital was invested to continue the development of our real estate holdings, mainly through expanding our LTL network. In Regina, Saskatchewan, we completed the construction of our 24,000 square foot 40-door cross-dock facility situated on approximately nine acres of land to both expand and improve the operating efficiencies of Jay's Transportation Group Ltd. We also purchased several LTL facilities in Ontario that were previously leased by Gardewine Group Limited Partnership ("**Gardewine**"), which reduced our lease obligations on a go forward basis. In addition, we purchased strategic parcels of land in both Calgary, Alberta and Kamloops, British Columbia, which will be used to further expand our LTL network. Gross dispositions on a pre-consolidated basis were $16.6 million in 2020 as compared to $12.0 million in 2019. These gross dispositions were comprised of $0.8 million in the Less-Than-Truckload segment (2019 – $1.1 million), $2.1 million in the Logistics & Warehousing segment (2019 – $1.5 million), $6.0 million in the Specialized & Industrial Services segment (2019 – $9.4 million) and $7.7 million in the Corporate Office (2019 – nil). The majority of the dispositions within the Corporate Office related to redundant real estate holdings.

On December 9, 2020, the Board approved a capital budget of $60.0 million for 2021, exclusive of corporate acquisitions or investment in facilities, land and buildings, with $50.0 million allocated towards maintenance capital

primarily to replace trucks, trailers, specialized equipment and technology to support the operations of the business. In addition, we will allocate $10.0 million to fund growth and create jobs in Canada. In 2020, the Federal Government implemented the CEWS program. We will be directing these funds to create opportunities and employment for Canadians.

Convertible Debentures

In June 2019, we issued $125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"), by way of a bought deal, at a price of $1,000 per Debenture. The Debentures are publicly traded and are listed on the TSX under the symbol "**MTL.DB**". The Debentures will mature on November 30, 2026 and bear interest at an annual rate of 5.75 percent payable semi-annually in arrears on May 31 and November 30 in each year beginning November 30, 2019.

Each $1,000 Debenture is convertible into 71.4286 Common Shares of Mullen Group (such is based on a conversion price of $14.00) at any time at the option of the holders of the Debentures. Thus, an aggregate of approximately 8.9 million Common Shares of Mullen Group may be issued if all the holders convert their principal amount. The proceeds of the offering will be used for general corporate purposes, which may include future acquisitions. As subordinated debt, the accounting value assigned to the Debentures including any related interest expense is excluded from our financial covenant calculations under our Private Placement Debt (as hereafter defined on page 24).

The Debentures shall not be redeemable by the Corporation prior to November 30, 2023. On or after November 30, 2023 and prior to November 30, 2025, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125.0 percent of the conversion price. On or after November 30, 2025 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest if any, up to but excluding the date set for redemption.

The Debentures are comprised of both a debt and equity component, which are presented separately on our consolidated statement of financial position. The debt component represents the total discounted present value of both the semi-annual interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. The result is an accounting value assigned to the debt component of the Debentures, which is less than the principal amount due at maturity. The debt component presented on the consolidated statement of financial position will increase over the term of the Debentures to the full face value of the outstanding Debentures at maturity. This increase will be recognized in the financial statements through a notional increase to interest expense on the Debentures and a resulting decrease to net income. In the event the Debentures are converted prior to maturity, the difference between the carrying amount of such Debentures and their face value would be charged to interest expense. The equity component of the Debentures is presented under "Equity" in the consolidated statement of financial position. The equity component represents the difference between the face value of the Debentures (namely, $125.0 million) and the accounting value assigned to the debt component of the Debentures at the date of issue (namely, $112.6 million). Subject to the impact of the Debentures being converted, this equity component amount will remain constant over the term of the Debentures. Upon conversion of the Debentures into Common Shares, a proportionate amount of both the debt and equity components are transferred to shareholders' capital. Accretion and interest expense on the Debentures are reflected as finance costs in the consolidated statement of comprehensive income.

The transaction costs associated with the Debentures were $5.2 million and are being amortized over the term of the Debentures. If the holders of the Debentures convert the principal portion to Common Shares prior to maturity, the unamortized transaction costs would be expensed and would thereby decrease earnings.

The details of the debt component of the Debentures are as follows:

($ millions)		December 31, 2020		December 31, 2019	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2026	5.75%	**$ 125.0**	**$ 111.1**	$ 125.0	$ 108.7

Acquisitions

The acquisitions set forth below have been accounted for by the acquisition method and the financial results of operations have been included in the accompanying Annual Financial Statements from the date of acquisition.

2020

Pacific Coast Express Limited – On August 1, 2018, we acquired 40.0 percent of the issued and outstanding shares of PCX for $2.0 million. We used the equity method to account for this investment and recognized $1.6 million of earnings from August 1, 2018 until September 1, 2020. On September 1, 2020, we acquired all of the remaining issued and outstanding shares of PCX including two of PCX's operating facilities, one in Calgary, Alberta and one in Winnipeg, Manitoba for cash consideration of $14.4 million. We recorded $14.4 million of cash used to acquire PCX in our consolidated statement of cash flows, which consists of $14.2 million of cash consideration paid on closing and $0.2 million of bank indebtedness acquired. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. PCX is based out of the Lower Mainland of British Columbia and provides expedited handling of international less-than-truckload and truckload shipments to and from western Canada, the western United States and Mexico, along with shipments between multiple points in western Canada. PCX operates an owner operator and logistics model from four locations with its head office in Surrey, British Columbia, along with operating terminals in Edmonton and Calgary, Alberta and Winnipeg, Manitoba. We acquired PCX as part of our strategy to invest in the transportation sector in western Canada. The financial results of PCX's operations are included in the Less-Than-Truckload segment.

International Warehousing & Distribution Inc. – In October 2020, we announced an agreement to acquire all of the issued and outstanding shares of IWD for total cash consideration of $5.7 million. IWD is based out of Mississauga, Ontario and provides sufferance warehousing and distribution services in Ontario. We acquired IWD as part of our strategy to invest in the warehousing and transportation sector in eastern Canada. The acquisition of IWD expands our service offering to the greater Toronto, Ontario market. The financial results of IWD's operations are included in the Logistics & Warehousing segment.

2019

Argus Carriers Ltd. and Inter-Urban Delivery Service Ltd. – On July 1, 2019, we acquired all of the issued and outstanding shares of Argus Carriers Ltd. ("**Argus**") and Inter-Urban Delivery Service Ltd. ("**Inter-Urban**") for total cash consideration of $20.0 million. Both Argus and Inter-Urban provide transportation and logistics services in the Lower Mainland of British Columbia. We acquired Argus and Inter-Urban as part of our strategy to invest in transportation and logistics companies that have a strong regional LTL presence centrally located to serve consumers in large urban centres. Argus and Inter-Urban financial results were included in the Less-Than-Truckload segment.

Argus, a well-established company founded in 1948, has approximately 95 employees and dedicated owner operators and operates a fleet of 57 trucks and 46 trailers providing general freight services including: local pick-up and delivery, warehousing, regional LTL, dedicated and linehaul trucking from four British Columbia operating terminals – Burnaby, Kelowna, Victoria, and Nanaimo. In addition, Argus provides daily LTL service to the Pacific Northwest of the United States.

Inter-Urban, also a well-established company founded in 1974, has approximately 70 employees and dedicated owner operators and operates 43 trucks and 26 trailers focusing on critical same day delivery service for the healthcare sector including: cross-border linehaul, cross-border LTL cartage, dedicated and local pick-up and delivery. Inter-Urban operates from a terminal based in Abbotsford, British Columbia.

Jen Express Inc. – On May 1, 2019, we acquired the business and assets of Jen Express Inc. ("**Jen Express**") for cash consideration of $1.5 million. Included in this amount is $0.3 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to $0.3 million for achieving certain financial targets over the two year period ending May 1, 2021. In 2020 Jen Express achieved certain financial targets and the vendor received $0.1 million of contingent consideration. The vendor may receive the remaining $0.2 million of contingent consideration in 2021 if certain financial targets are met. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. We acquired Jen Express as part of our strategy to invest in the transportation sector in western Canada. Located in Stettler, Alberta, Jen Express offers LTL services and has been integrated into the operations of Hi-Way 9 Express Ltd. ("**Hi-Way 9**"), whose financial results were included in the Less-Than-Truckload segment.

Intangible Assets

In the fourth quarter of 2020, we purchased a customer list for Hi-Way 9 from a third-party for $0.2 million. In the second quarter of 2019, we purchased a customer list for Hi-Way 9 from a third-party for $0.4 million. The customer lists that were purchased included LTL customers in the Alberta and British Columbia regions.

Bank Credit Facility Amendments

On October 24, 2018, we entered into an agreement to amend the amount available to be borrowed on the credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). The amount available to be borrowed on the Bank Credit Facility was increased by $50.0 million to $125.0 million. On June 21, 2019, the amount available to be borrowed on the Bank Credit Facility was increased by $25.0 million to $150.0 million. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, we cannot be in default of our Private Placement Debt (as hereafter defined on page 24) and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants.

As at December 31, 2020, no amounts were drawn on this facility.

[The remainder of this page intentionally left blank.]

2020 CONSOLIDATED FINANCIAL RESULTS

Our results for 2020 need to be reviewed within the context of the outbreak of a worldwide virus known as COVID-19. This single event had a material impact on the economy and our results for the year. Actions initiated by the various governments and health authorities influenced nearly every aspect of the economy, changing consumer buying habits, contributing to new trends such as e-commerce and online shopping, decimating the travel and hospitality industries and severely curtailing business investment along with disrupting the supply chain. In addition, governments provided significant stimulus to support displaced workers and businesses negatively impacted by mandated closures and shutdowns. Mullen Group was a recipient of the Federal Government program identified as CEWS. This program did not provide revenue contribution, however, it did support our profitability. In the absence of the outbreak of COVID-19, the economy most likely would have performed in line with our previously stated 2020 projections and as such we believe our results would have been stronger than reported. Nevertheless, we adapted and generated results consistent with 2019.

For the year, consolidated revenue was down primarily due to the underperformance of our two segments that are closely aligned with business spending. In the Logistics & Warehousing segment the demand for transportation of capital goods, equipment and machinery was down significantly as compared to prior years. The largest declines, however, were in the Specialized & Industrial Services segment due to the collapse in crude oil pricing in the first quarter and the subsequent retrenchment within the oil and natural gas industries throughout most of 2020. In contrast to declines associated with business investment, there was the robust spending by the consumer on everything from basic needs to discretionary items. As a result, the Less-Than-Truckload segment had a very strong year.

One of the highlights last year is how well our organization handled the market disruptions. In particular, our diversified business model, which today is highly correlated to consumer spending, provided a level of safety when certain segments of the economy or regions of the country come under temporary stress, which is precisely what occurred in 2020. In addition, having a strong well-structured balance sheet allowed our company the opportunity to manage through the events of last year. We attribute our strong performance last year to a number of factors, including:

- On March 7, 2020, we announced our COVID-19 Action Plan. By responding quickly and decisively to the fast-moving virus, we were able to reduce costs along with supporting our people. Prioritizing health, safety and providing financial support was our primary objective.

- Our Business Units responded by managing costs, maintaining business and protecting their employees. The trucking and logistics business was deemed early on by governments as an essential service. Our role then was to implement new health and safety protocols for our employees enabling service to our customers to be maintained.

- Several of our LTL Business Units improved margins capitalizing on the robust consumer spend, adding new service offerings such as Ambient and pivoting to the emerging direct to home delivery trend.

- Diesel fuel costs were down, partially due to declines in miles travelled, but primarily due to lower crude oil prices. This is an example of how our business model is quite adaptable – when crude oil prices decline the oil industry cuts back on spending, which negatively impacts revenue in those Business Units leveraged to the oil and natural gas industry. The offset is diesel costs also decline reducing our overall operating costs. In 2020 fuel costs were down $19.3 million.

- Major pipeline construction remained strong throughout the year contributing to a record year at Premay Pipeline.

- Our investment in technology not only allowed many of our employees to work from the safety of their homes, it contributed to several Business Units capturing new business. Notably the team at DWS did a great job managing the explosion in e-commerce shipments for their customers, which can only be managed efficiently with a fully integrated technology platform.

- Once again, Kleysen had another strong year. The rail connected transload yard in Edmonton, Alberta attracted new business along with gains in the industrial salt business; both lines of business that are unique and difficult to replicate.

- And the Government of Canada reimbursed many businesses, including Mullen Group, for lost business associated with the mandatory closure of many parts of the Canadian economy. In total, we had 29 Business Units qualify for $26.5 million in wage subsidies through the CEWS program.

Revenue

*Revenue is generated by the Corporation through its Business Units. These Business Units are divided into three operating segments: Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The Business Units utilize a combination of company assets that are either owned by the Business Unit or leased ("**Company Equipment**"), owner operators who provide trucks and/or trailers and work exclusively for the Business Unit under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "**Contractors**").*

Consolidated Revenue by Segment **Years ended December 31** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Less-Than-Truckload	**443.8**	**38.0**	451.6	35.2	(7.8)	(1.7)
Logistics & Warehousing	**362.0**	**31.0**	404.8	31.6	(42.8)	(10.6)
Specialized & Industrial Services	**362.0**	**31.0**	426.3	33.2	(64.3)	(15.1)
Corporate and intersegment eliminations	**(3.5)**	**—**	(4.2)	—	0.7	—
Total	**1,164.3**	**100.0**	1,278.5	100.0	(114.2)	(8.9)

**as a percentage of pre-consolidated revenue*

Consolidated revenue decreased by $114.2 million, or 8.9 percent, to $1,164.3 million as compared to $1,278.5 million in 2019. This decrease in revenue was primarily due to the negative effect of COVID-19 with the majority of the declines occurring in the second quarter. Declines by quarter were $1.4 million, $61.5 million, $34.4 million and $16.9 million, respectively.

Revenue in the Less-Than-Truckload segment fell by $7.8 million, or 1.7 percent, to $443.8 million as compared to $451.6 million in 2019. This 1.7 percent decline reflected the steady nature of consumer demand in Canada. This segment did experience greatly reduced demand for freight services at the onset of COVID-19 in the spring but this decline was largely offset by robust consumer spending in the third and fourth quarters and incremental revenue related to our recent acquisitions. Revenue in the Logistics & Warehousing segment decreased by $42.8 million, or 10.6 percent, to $362.0 million as compared to $404.8 million in 2019 due to lower demand for freight service due to plant closures and a lack of investment by business. The Specialized & Industrial Services segment revenue decreased by $64.3 million, or 15.1 percent, to $362.0 million as compared to $426.3 million in 2019, primarily due to the collapse in oil prices and the lack of oilfield and maintenance activity that was offset by a substantial increase in demand for large diameter pipeline stringing and stockpiling services experienced by Premay Pipeline.

Consolidated Revenue **Years ended December 31** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**854.4**	**73.4**	910.4	71.2	(56.0)	(6.2)
Contractors	**305.2**	**26.2**	362.3	28.3	(57.1)	(15.8)
Other	**4.7**	**0.4**	5.8	0.5	(1.1)	(19.0)
Total	**1,164.3**	**100.0**	1,278.5	100.0	(114.2)	(8.9)

Revenue related to Company Equipment decreased by $56.0 million, or 6.2 percent, to $854.4 million as compared to $910.4 million in 2019 and represented 73.4 percent of consolidated revenue in the current period as compared to 71.2 percent in 2019. Revenue related to Contractors decreased by $57.1 million, or 15.8 percent, to $305.2 million as compared to $362.3 million in 2019, and represented 26.2 percent of consolidated revenue in the

current period as compared to 28.3 percent in 2019. The increase in proportion of revenue generated by Company Equipment was due to the relative strength of our Less-Than-Truckload segment and the increase in revenue at Premay Pipeline and Smook.

Direct Operating Expenses

*Direct operating expenses ("**DOE**") include two main categories of expenses. The first category of DOE relates to the direct costs incurred to operate and maintain Company Equipment. The major DOE associated with operating Company Equipment are wages (which was offset by CEWS), fuel, repairs and maintenance, purchased transportation and operating supplies. The other expenses included under DOE – Company mainly consist of short-term or low value leases, equipment rent, insurance and licensing costs. The second category of DOE are the costs incurred to hire Contractors, whether owner operators or subcontractors.*

Consolidated Direct Operating Expenses Years ended December 31 *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**230.3**	**27.0**	241.1	26.5	(10.8)	(4.5)
CEWS	**(20.1)**	**(2.4)**	—	—	(20.1)	—
Fuel	**66.7**	**7.8**	86.0	9.4	(19.3)	(22.4)
Repairs and maintenance	**106.4**	**12.5**	120.8	13.3	(14.4)	(11.9)
Purchased transportation	**87.8**	**10.3**	97.2	10.7	(9.4)	(9.7)
Operating supplies	**65.5**	**7.7**	67.1	7.4	(1.6)	(2.4)
Other	**26.5**	**3.0**	24.8	2.7	1.7	6.9
	563.1	**65.9**	637.0	70.0	(73.9)	(11.6)
Contractors	**233.5**	**76.5**	272.9	75.3	(39.4)	(14.4)
Total	**796.6**	**68.4**	909.9	71.2	(113.3)	(12.5)

**as a percentage of respective Consolidated revenue*

DOE in 2020 were $796.6 million as compared to $909.9 million in 2019. The decrease of $113.3 million, or 12.5 percent, was attributable to the $114.2 million, or 8.9 percent, decrease in consolidated revenue. We actively managed all costs as part of our plan called the "**COVID-19 Action Plan**". This plan focused on adjusting staffing levels for current and anticipated revenue levels, implemented temporary pay cuts and managed all other costs, especially repairs and maintenance expense and monitoring bad debts. As a percentage of revenue these expenses decreased to 68.4 percent as compared to 71.2 percent in 2019 due to lower fuel prices and operational efficiency gains in all segments.

In 2020 DOE associated with Company Equipment decreased to $563.1 million as compared to $637.0 million in 2019. The decrease of $73.9 million, or 11.6 percent, was attributable to the $56.0 million, or 6.2 percent, decrease in Company revenue that occurred during the period. As a percentage of Company revenue these expenses decreased to 65.9 percent as compared to 70.0 percent in 2019. Adjusted for CEWS, these expenses declined as a percentage of revenue to 68.3 percent. The reduction in fuel expense accounted for the majority of the decrease. Total fuel expense decreased by 1.6 percent of Company revenue to 7.8 percent, or $66.7 million, as compared to 9.4 percent or $86.0 million in 2019.

Contractors expense in 2020 decreased by 14.4 percent to $233.5 million, as compared to $272.9 million in 2019. This $39.4 million decrease was generally in line with the $57.1 million, or 15.8 percent, decline in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 1.2 percent to 76.5 percent as compared to 75.3 percent in 2019 due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells in the Specialized & Industrial Services segment.

Selling and Administrative Expenses

*Selling and administrative ("**S&A**") expenses include salaries (which was offset by CEWS), employee profit share and other administrative expenses incurred to support the operations of Mullen Group and its Business Units.*

Consolidated Selling and Administrative Expenses
Years ended December 31

($ millions)	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**92.4**	**7.9**	98.9	7.7	(6.5)	(6.6)
CEWS	**(6.4)**	**(0.5)**	—	—	(6.4)	—
Communications, utilities and general supplies	**42.2**	**3.6**	46.9	3.7	(4.7)	(10.0)
Profit share[(1)]	**13.1**	**1.1**	12.5	1.0	0.6	4.8
Foreign exchange	**0.7**	**0.1**	0.8	0.1	(0.1)	(12.5)
Stock-based compensation	**1.1**	**0.1**	1.4	0.1	(0.3)	(21.4)
Rent and other	**7.0**	**0.6**	7.2	0.5	(0.2)	(2.8)
Total	**150.1**	**12.9**	167.7	13.1	(17.6)	(10.5)

[(1)] The profit share calculation excludes any benefits received from the CEWS program.

S&A expenses decreased to $150.1 million in 2020 as compared to $167.7 million in 2019. The decrease of $17.6 million was primarily due to the cost control initiatives under our COVID-19 Action Plan. Adjusted for CEWS, S&A expenses were reduced by $11.2 million but rose to 13.4 percent of revenue as compared to 13.1 percent in 2019. The reduction of $11.2 million was mainly due to the $6.5 million reduction in wages and benefits expense and other savings instituted under our COVID-19 Action Plan.

Operating Income Before Depreciation and Amortization

*Operating income before depreciation and amortization ("**OIBDA**") is net income before depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, finance costs, net foreign exchange gains and losses, other (income) expense and income taxes.*

Consolidated Operating Income Before Depreciation and Amortization
Years ended December 31

($ millions)	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Less-Than-Truckload	**75.0**	**34.5**	70.6	35.1	4.4	6.2
Logistics & Warehousing	**71.6**	**32.9**	64.8	32.3	6.8	10.5
Specialized & Industrial Services	**82.4**	**37.9**	75.0	37.3	7.4	9.9
Corporate	**(11.4)**	**(5.2)**	(9.5)	(4.7)	(1.9)	20.0
Total	**217.6**	**100.0**	200.9	100.0	16.7	8.3

OIBDA for the period was $217.6 million, or 18.7 percent of revenue, as compared to $200.9 million, or 15.7 percent, in 2019. The $16.7 million increase, or 8.3 percent, was due to the strong performance by all three segments, offset by a $1.9 million increase in Corporate costs:

- a $4.4 million increase in the Less-Than-Truckload segment;
- a $6.8 million increase in the Logistics & Warehousing segment; and
- a $7.4 million increase in the Specialized & Industrial Services segment.

Adjusted for CEWS, OIBDA declined to $191.1 million, however, operating margin[1] improved by 0.7 percent to 16.4 percent as compared to 15.7 percent.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $72.4 million in 2020 as compared to $80.5 million in 2019. This decrease of $8.1 million was mainly attributable to a lower amount of depreciation being recorded in the Specialized & Industrial Services segment and, to a lesser degree, the Logistics & Warehousing segment. These decreases were somewhat offset by a greater amount of depreciation being recognized in the Less-Than-Truckload segment. Depreciation in the Corporate Office remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased by $8.7 million and was mainly due to additional depreciation recognized in 2019 on specialty equipment within Spearing Service L.P. ("**Spearing**") and Formula Powell L.P. ("**Formula Powell**") after an assessment of market conditions for such equipment. Depreciation also decreased due to the lower amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Logistics & Warehousing segment decreased by $1.1 million due to additional depreciation recognized in 2019 within Cascade Carriers L.P. ("**Cascade Carriers**") on certain trucks after an assessment of market conditions for that specific make and model of equipment. Depreciation in the Less-Than-Truckload segment increased by $1.7 million due to a greater amount of capital expenditures being made within this segment and from the acquisitions of Argus, Inter-Urban and PCX.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $11.6 million in 2020 as compared to $11.7 million in 2019. The majority of our right-of-use assets consist of real property leases within the Less-Than-Truckload segment and the Logistics & Warehousing segment. This decrease of $0.1 million was mainly attributable to a lower amount of depreciation being recognized in the Specialized & Industrial Services segment, which was somewhat offset by a greater amount of depreciation of right-of-use assets being recorded in the Less-Than-Truckload segment. Depreciation in the Logistics & Warehousing segment remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased by $0.5 million and was mainly due to some real property leases that have come to the end of their term and were not renewed. Depreciation in the Less-Than-Truckload segment increased by $0.5 million, which was mainly due to the incremental real property leases acquired in the acquisition of Argus, Inter-Urban and PCX.

Amortization of Intangible Assets

Intangible assets are normally acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over their estimated life from the date of acquisition. Amortization of intangible assets was $17.6 million in 2020 as compared to $19.3 million in 2019. This decrease of $1.7 million mainly resulted from certain intangible assets becoming fully amortized, which was somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisitions of Argus, Inter-Urban and PCX.

Finance Costs

Finance costs mainly consist of:

- Interest expense on financial liabilities, including:
    - U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, $30.0 million of Series I Notes, $3.0 million of Series J Notes, $58.0 million of Series K Notes and $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
    - the Debentures that were issued in June 2019;
    - lease liabilities; and
    - borrowings on the Bank Credit Facility
- Less any interest income generated from the debentures issued to investees and from cash and cash equivalents.

Finance costs were $28.5 million in 2020 as compared to $23.6 million in 2019. The increase of $4.9 million was mainly attributable to the $4.4 million of incremental interest expense being recorded on the Debentures (issued in June 2019) and from a greater amount of interest expense being recorded on our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar. These increases were somewhat offset by the reduction in interest expense from borrowings on the Bank Credit Facility.

Net Foreign Exchange (Gain) Loss

We recognize foreign exchange gains or losses at the end of each reporting period related to our U.S. dollar debt and from our two cross-currency swap contracts. In 2014 we entered into two cross-currency swap contracts to swap the principal portion of the Series G (U.S. $117.0 million) and Series H (U.S. $112.0 million) Notes (collectively, the "**Cross-Currency Swaps**") into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These swap contracts were entered into as a method of hedging the U.S. debt notes against any declines in the Canadian dollar vis-à-vis the U.S. dollar.

The net foreign exchange gain was $2.4 million in 2020 as compared to a net foreign exchange gain of $14.1 million in 2019. The net foreign exchange gain of $2.4 million in 2020 resulted even though the principal portion of all our U.S. $229.0 million debt is hedged by our Cross-Currency Swaps. This gain is due to how our U.S. dollar debt and our Cross-Currency Swaps are valued for accounting purposes. Our U.S. dollar debt is valued at the end of each quarter using the closing exchange rate between the Canadian dollar vis-à-vis the U.S. dollar (the "**Spot Rate**"). In addition to the Spot Rate, our Cross-Currency Swaps are valued using a discounted value from maturity of the forward rate, which is influenced by changes in interest rate differentials between Canada and the United States. As the Cross-Currency Swaps get closer to maturity, their accounting value should more closely correlate to the value of our U.S. dollar debt. The variance of $11.7 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net foreign exchange (gain) loss are as follows:

Net Foreign Exchange (Gain) Loss	**Years ended December 31**	
	CDN. $ Equivalent	
($ millions)	**2020**	**2019**
Foreign exchange (gain) loss on U.S. $ debt	**(5.9)**	(14.9)
Foreign exchange loss (gain) on Cross-Currency Swaps	**3.5**	0.8
Net foreign exchange (gain) loss	**(2.4)**	(14.1)

Foreign Exchange (Gain) Loss on U.S. $ Debt

We recorded a foreign exchange gain of $5.9 million related to our U.S. dollar debt due to the $0.0256 strengthening of the Canadian dollar relative to the U.S. dollar during 2020. In 2019 we recorded a foreign exchange gain of $14.9 million due to the strengthening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange gain on the U.S. dollar debt is summarized in the following table:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Years ended December 31**					
	2020			**2019**		
($ millions, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – December 31	**229.0**	**1.2732**	**291.6**	229.0	1.2988	297.5
Beginning – January 1	**229.0**	**1.2988**	**297.5**	229.0	1.3642	312.4
Foreign exchange (gain) loss on U.S. $ debt			**(5.9)**			(14.9)

Foreign Exchange Loss (Gain) on Cross-Currency Swaps

On July 25, 2014, we entered into two Cross-Currency Swaps with a Canadian bank to swap U.S. $117.0 million and U.S. $112.0 million into Canadian currency at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. The Cross-Currency Swaps convert the repayment of the principal portion of the Series G and Series H Notes into a Canadian currency equivalent of $129.2 million and

$124.9 million, respectively. We record the foreign exchange gain or loss relating to these Cross-Currency Swaps within net foreign exchange (gain) loss on the consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose. The carrying value of these Cross-Currency Swaps are recorded within derivative financial instruments ("**Derivatives**") in the consolidated statement of financial position.

We recorded a foreign exchange loss on Cross-Currency Swaps of $3.5 million in 2020 as compared to a $0.8 million loss in 2019. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	Years ended December 31			
	2020		2019	
($ millions)	U.S. $ Swaps	CDN. $ Change in Fair Value of Swaps	U.S. $ Swaps	CDN. $ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	**117.0**	1.9	117.0	1.1
Cross-Currency Swap maturing October 22, 2026	**112.0**	1.6	112.0	(0.3)
Foreign exchange loss (gain) on Cross-Currency Swaps		3.5		0.8

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment, earnings from equity investments and the gain on fair value of equity investment. Other expense in 2020 was $3.8 million, a $4.0 million negative variance as compared to the $0.2 million of other income recorded in 2019. The $4.0 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $1.0 million). We periodically invest in certain public corporations. In 2020 there was a decrease in the fair value of investments of $1.0 million as compared to no change in the fair value of investments in 2019. There were no investments purchased or sold in 2020. There were $0.7 million of investments sold in 2019 and no investments were purchased.

Loss on Sale of Property, Plant and Equipment (negative variance of $2.3 million). We recognized a loss of $5.0 million in 2020 on sale of property, plant and equipment on total consolidated proceeds on sale of $14.5 million as compared to a $2.7 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $6.5 million in 2019. The $5.0 million loss on sale of property, plant and equipment in 2020 mainly resulted from the sale of redundant land and buildings within the Corporate Office (loss of $2.7 million) and from shutting in a disposal well at Envolve Energy Services Corp. ("**Envolve**") (loss of $1.9 million). The $2.7 million loss on sale of property, plant and equipment in 2019 mainly resulted from the sale of older equipment in both the Less-Than-Truckload and Specialized & Industrial Services segments.

Earnings from Equity Investments (negative variance of $1.1 million). We recognized $1.8 million of earnings from equity investments in 2020 as compared to earnings of $2.9 million in 2019. We use the equity method to account for investments in which we obtain significant influence or joint control over the investee and we recognize earnings from these equity investments from the date thereof. There were no equity investments purchased in 2020 or 2019. In 2020 the aggregate amount of revenue and OIBDA generated by our equity investees was $253.7 million (2019 – $275.1 million) and $47.9 million (2019 – $42.6 million), respectively. The following table details our equity investments and the date from which we commenced recording earnings from them.

Equity Investment	Date of Significant Influence or Joint Control Obtained
Canol Oilfield Services Inc.	January 1, 2013
Kriska Transportation Group Limited	December 1, 2014
Cordova Oilfield Services Ltd.	April 17, 2015
Butler Ridge Energy Services (2011) Ltd.	July 1, 2015
Thrive Management Group Ltd.	September 27, 2017

Gain on Fair Value of Equity Investment (positive variance of $0.4 million). We acquired control of PCX through a series of transactions. On August 1, 2018, we acquired 40.0 percent of the issued and outstanding shares of PCX for $2.0 million and then recognized $1.6 million of earnings from this equity investment until September 1, 2020, the date we obtained control. We acquired all the remaining issued and outstanding shares of PCX for cash consideration of $14.4 million. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment.

Income Taxes

	Years ended December 31			
($ millions)		**2020**		**2019**
Income before income taxes	**$**	**86.1**	$	80.1
Combined statutory tax rate		**26%**		27%
Expected income tax		**22.4**		21.6
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange (gain) loss		**—**		(1.8)
Non-deductible (taxable) portion of the change in fair value of investments		**0.1**		—
Stock-based compensation expense		**0.3**		0.4
Changes in unrecognized deferred tax asset		**—**		(1.8)
Decrease in income tax due to changes in income tax rates		**(0.1)**		(9.5)
Other		**(0.6)**		(1.0)
Income tax expense	**$**	**22.1**	$	7.9

Income tax expense was $22.1 million in 2020 as compared to $7.9 million in 2019. The increase of $14.2 million was mainly attributable to the decrease in income tax in 2019 due to the change in the substantively enacted tax rate in Alberta and from the variance in net foreign exchange.

Net Income

	Years ended December 31				
($ millions, except share and per share amounts)		**2020**		**2019**	**% Change**
Net income	**$**	**64.0**	$	72.2	(11.4)
Weighted average number of Common Shares outstanding		**100,624,227**		104,824,973	(4.0)
Earnings per share – basic	**$**	**0.64**	$	0.69	(7.2)

Net income decreased to $64.0 million in 2020 as compared to $72.2 million in 2019. The factors contributing to the decrease in net income include:

- a $14.2 million increase in income tax expense;
- an $11.7 million negative variance in net foreign exchange;
- a $4.9 million increase in finance costs;
- a $2.3 million increase in the loss on sale of property, plant and equipment;
- a $1.1 million decrease in earnings from equity investments; and
- a $1.0 million negative variance in the fair value of investments.

These factors were somewhat offset by the following factors that increased net income:

- a $16.7 million increase in OIBDA;
- an $8.1 million decrease in depreciation of property, plant and equipment;
- a $1.7 million decrease in amortization of intangible assets;
- a $0.4 million gain on fair value of equity investment; and
- a $0.1 million decrease in depreciation of right-of-use assets.

Basic earnings per share decreased to $0.64 in 2020 as compared to $0.69 in 2019. This decrease resulted from the effect of the $8.2 million decrease in net income. The weighted average number of Common Shares outstanding decreased from 104,824,973 to 100,624,227, which was due to the repurchase and cancellation of 7,972,926 Common Shares under the NCIB in 2020.

Net Income – Adjusted and Earnings per Share – Adjusted

The following table illustrates net income and basic earnings per share before considering the impact of the net foreign exchange gains or losses, the change in fair value of investments, and the gain on fair value of equity investment. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

	Years ended December 31	
($ millions, except share and per share amounts)	**2020**	**2019**
Income before income taxes	**$ 86.1**	$ 80.1
Add (deduct):		
Net foreign exchange (gain) loss	**(2.4)**	(14.1)
Change in fair value of investments	**1.0**	—
Gain on fair value of equity investment	**(0.4)**	—
Income before income taxes – adjusted	**84.3**	66.0
Income tax rate	**26%**	27%
Computed expected income tax expense	**(21.9)**	(17.8)
Net income – adjusted[(1)]	**62.4**	48.2
Weighted average number of Common Shares outstanding – basic	**100,624,227**	104,824,973
Earnings per share – adjusted[(1)]	**$ 0.62**	$ 0.46

[(1)] *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*

2020 SEGMENTED INFORMATION

Year ended December 31, 2020 (*$ millions*)	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	$	**$**	**$**	**$**	**$**
Revenue	**443.8**	**362.0**	**362.0**	**(3.5)**	**1,164.3**
Direct operating expenses	**307.8**	**251.4**	**243.5**	**(6.1)**	**796.6**
Selling and administrative expenses	**61.0**	**39.0**	**36.1**	**14.0**[(1)]	**150.1**
Operating income before depreciation and amortization	**75.0**	**71.6**	**82.4**	**(11.4)**	**217.6**
Net capital expenditures[(2)]	**24.4**	**5.6**	**5.4**	**15.0**	**50.4**

Year ended December 31, 2019 (*$ millions*)	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	$	$	$	$	$
Revenue	451.6	404.8	426.3	(4.2)	1,278.5
Direct operating expenses	321.5	294.6	302.9	(9.1)	909.9
Selling and administrative expenses	59.5	45.4	48.4	14.4[(3)]	167.7
Operating income before depreciation and amortization	70.6	64.8	75.0	(9.5)	200.9
Net capital expenditures[(2)]	25.2	15.7	10.5	17.1	68.5

(1) Includes a $1.1 million foreign exchange loss.
(2) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
(3) Includes a $0.4 million foreign exchange loss.

LESS-THAN-TRUCKLOAD SEGMENT

Revenue

Revenue – Less-Than-Truckload Years ended December 31 (*$ millions*)	2020		2019		Change	
	$	**%**	**$**	**%**	**$**	**%**
Company	**421.0**	**94.9**	438.3	97.1	(17.3)	(3.9)
Contractors	**22.5**	**5.1**	13.1	2.9	9.4	71.8
Other	**0.3**	**—**	0.2	—	0.1	50.0
Total	**443.8**	**100.0**	451.6	100.0	(7.8)	(1.7)

Segment revenue fell by $7.8 million, or 1.7 percent, to $443.8 million as compared to $451.6 million in 2019 and represented 38.0 percent of pre-consolidated revenue as compared to 35.2 percent in 2019. This decrease in revenue was due to the negative impacts of COVID-19 being partially offset by acquisitions. Prior to the pandemic, revenue rose by $3.8 million in the first quarter. Revenue then fell by $10.5 million in the second quarter and $3.2 million in the third quarter and then rose by $2.1 million in the fourth quarter. Specific factors affecting segment revenue were:

- a $19.1 million increase in revenue generated from the acquisitions of Argus, Inter-Urban and PCX;
- market share gains in the first quarter that were more than offset by the negative effects of COVID-19;

- a decrease of $12.2 million in fuel surcharge revenue to $43.1 million, from the $55.3 million generated in 2019 resulting from the decline in diesel fuel prices; and
- a more pronounced decline in freight demand in Alberta.

Direct Operating Expenses

Direct Operating Expenses – Less-Than-Truckload Years ended December 31 *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**114.3**	**27.1**	115.0	26.2	(0.7)	(0.6)
CEWS	**(3.8)**	**(0.9)**	—	—	(3.8)	—
Fuel	**38.2**	**9.1**	47.2	10.8	(9.0)	(19.1)
Repairs and maintenance	**45.1**	**10.7**	45.0	10.3	0.1	0.2
Purchased transportation	**79.7**	**18.9**	89.4	20.4	(9.7)	(10.9)
Operating supplies	**6.3**	**1.5**	6.1	1.4	0.2	3.3
Other	**13.5**	**3.3**	11.8	2.7	1.7	14.4
	293.3	**69.7**	314.5	71.8	(21.2)	(6.7)
Contractors	**14.5**	**64.4**	7.0	53.4	7.5	107.1
Total	**307.8**	**69.4**	321.5	71.2	(13.7)	(4.3)

**as a percentage of respective Less-Than-Truckload revenue*

DOE were $307.8 million as compared to $321.5 million in 2019. This decrease of $13.7 million, or 4.3 percent, was due to the following key factors:

- a $7.8 million decrease in segment revenue;
- a $9.7 million reduction in purchased transportation;
- a $9.0 million reduction in fuel expense due to lower fuel prices; and
- the offsetting benefit of $3.8 million contribution from CEWS.

As a percentage of revenue, DOE decreased by 1.8 percent to 69.4 percent compared to 71.2 percent in 2019. Adjusted for CEWS, these expenses were reduced by 1.0 percent as a percentage of revenue to 70.2 percent as compared to 71.2 percent in 2019 due to cost control initiatives and lower diesel fuel costs.

DOE associated with Company Equipment decreased by $21.2 million, or 6.7 percent, to $293.3 million as compared to $314.5 million in 2019. This decrease was directly related to the $17.3 million decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 2.1 percent to 69.7 percent as compared to 71.8 percent in 2019, primarily due to lower fuel costs. Fuel expense fell to 9.1 percent as a percentage of Company revenue from 10.8 percent in 2019. This 1.7 percent reduction was due to lower diesel fuel prices.

Contractors expense increased by $7.5 million to $14.5 million as compared to $7.0 million in 2019. This increase was directly related to the $9.4 million increase in Contractors revenue and was primarily as a result of the PCX acquisition. As a percentage of Contractors revenue, Contractors expense increased to 64.4 percent as compared to 53.4 percent in 2019.

Selling and Administrative Expenses

Selling and Administrative Expenses – Less-Than-Truckload Years ended December 31 *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Wages and benefits	**38.4**	**8.7**	37.0	8.2	1.4	3.8
CEWS	**(0.9)**	**(0.3)**	—	—	(0.9)	—
Communications, utilities and general supplies	**17.6**	**4.0**	17.3	3.8	0.3	1.7
Profit share	**3.5**	**0.8**	3.4	0.8	0.1	2.9
Foreign exchange	—	—	—	—	—	—
Rent and other	**2.4**	**0.5**	1.8	0.4	0.6	33.3
Total	**61.0**	**13.7**	59.5	13.2	1.5	2.5

**as a percentage of total Less-Than-Truckload revenue*

S&A expenses increased by $1.5 million to $61.0 million as compared to $59.5 million in 2019, primarily due to the $2.8 million of incremental S&A expenses associated with acquisitions being partially offset by CEWS of $0.9 million. S&A expenses as a percentage of segment revenue increased by 0.5 percent to 13.7 percent as compared to 13.2 percent in 2019 due to the fixed nature of these expenses relative to the decline in revenue.

Operating Income Before Depreciation and Amortization

OIBDA increased by $4.4 million, or 6.2 percent, to $75.0 million as compared to $70.6 million in 2019. The increase in OIBDA was due to the $3.2 million increase from the incremental OIBDA generated from the acquisitions of Argus, Inter-Urban and PCX as well as CEWS. Operating margin[1] increased to 16.9 percent as compared to 15.6 percent in 2019. Adjusted for CEWS, operating margin[1] was 15.8 percent.

Capital Expenditures

Net capital expenditures[1] were $24.4 million in 2020, a decrease of $0.8 million as compared to $25.2 million in 2019. The Less-Than-Truckload segment had gross capital expenditures of $25.2 million and dispositions of $0.8 million for net capital expenditures[1] of $24.4 million in 2020. The majority of the capital invested in 2020 consisted of trucks and trailers to support growth opportunities at Gardewine as well as replace some older less efficient equipment. In 2019 gross capital expenditures were $26.3 million and dispositions were $1.1 million for net capital expenditures[1] of $25.2 million.

LOGISTICS & WAREHOUSING SEGMENT

Revenue

Revenue – Logistics & Warehousing Years ended December 31 *($ millions)*	2020		2019		Change	
	$	%	$	%	$	%
Company	**143.7**	**39.7**	141.3	34.9	2.4	1.7
Contractors	**217.5**	**60.1**	262.6	64.9	(45.1)	(17.2)
Other	**0.8**	**0.2**	0.9	0.2	(0.1)	(11.1)
Total	**362.0**	**100.0**	404.8	100.0	(42.8)	(10.6)

Segment revenue fell by $42.8 million, or 10.6 percent, to $362.0 million as compared to $404.8 million in 2019 and represented 31.0 percent of pre-consolidated revenue as compared to 31.6 percent in 2019. Segment revenue decreased as a result of the effects of the outbreak of COVID-19 in North America and the government restrictions placed on many businesses. This negatively impacted both freight volumes and spot prices. Fuel surcharge revenue declined by $8.9 million to $19.1 million as compared to $28.0 million in 2019 due to less fuel consumption

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

and lower fuel prices. Revenue in the first, second, third and fourth quarters declined by $5.5 million, $19.3 million, $12.6 million and $5.4 million, respectively.

Revenue related to Company Equipment increased by $2.4 million, or 1.7 percent, to $143.7 million as compared to $141.3 million in 2019 and represented 39.7 percent of segment revenue in the current period as compared to 34.9 percent in 2019. Revenue related to Contractors decreased by $45.1 million, or 17.2 percent, to $217.5 million as compared to $262.6 million in 2019 and represented 60.1 percent of segment revenue in the current period as compared to 64.9 percent in 2019.

Direct Operating Expenses

Direct Operating Expenses – Logistics & Warehousing
Years ended December 31

($ millions)	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**34.2**	**23.8**	36.6	25.9	(2.4)	(6.6)
CEWS	**(4.2)**	**(2.9)**	—	—	(4.2)	—
Fuel	**9.2**	**6.4**	12.4	8.8	(3.2)	(25.8)
Repairs and maintenance	**17.7**	**12.3**	19.3	13.7	(1.6)	(8.3)
Purchased transportation	**4.8**	**3.3**	5.0	3.5	(0.2)	(4.0)
Operating supplies	**21.4**	**14.9**	20.5	14.5	0.9	4.4
Other	**4.7**	**3.3**	4.9	3.5	(0.2)	(4.1)
	87.8	**61.1**	98.7	69.9	(10.9)	(11.0)
Contractors	**163.6**	**75.2**	195.9	74.6	(32.3)	(16.5)
Total	**251.4**	**69.4**	294.6	72.8	(43.2)	(14.7)

**as a percentage of respective Logistics & Warehousing revenue*

DOE were $251.4 million as compared to $294.6 million in 2019. This decrease of $43.2 million, or 14.7 percent, was due to the following key factors:

- a $42.8 million decrease in segment revenue;
- a $3.2 million reduction in fuel expense due to lower fuel prices;
- a $2.4 million reduction in wages and benefits expense;
- a $1.6 million reduction in repairs and maintenance expense; and
- the offsetting benefit of $4.2 million contribution from CEWS.

As a percentage of revenue, DOE decreased by 3.4 percent to 69.4 percent compared to 72.8 percent in 2019. Adjusted for CEWS, these expenses were reduced by 2.2 percent as a percentage of revenue to 70.6 percent as compared to 72.8 percent in 2019 due to cost control initiatives and lower fuel costs.

DOE related to Company Equipment decreased by $10.9 million, or 11.0 percent, to $87.8 million as compared to $98.7 million in 2019. In terms of a percentage of revenue, Company expenses decreased by 8.8 percent to 61.1 percent as compared to 69.9 percent in 2019. This decrease was primarily due to lower wages and benefits expense as a result of our COVID-19 Action Plan. Adjusted for CEWS, DOE related to Company Equipment decreased by 5.9 percent as a percentage of revenue to 64.0 percent as compared to 69.9 percent in 2019, primarily due to lower fuel expense that declined by 2.4 percent to 6.4 percent as well as lower wages and benefits expense that declined by 2.1 percent.

Contractors expense decreased by $32.3 million to $163.6 million as compared to $195.9 million in 2019. This decrease was generally in line with the $45.1 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.6 percent to 75.2 percent as compared to 74.6 percent in 2019, largely due to the rise in these costs experienced in the fourth quarter.

Selling and Administrative Expenses

Selling and Administrative Expenses – Logistics & Warehousing Years ended December 31 *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Wages and benefits	**26.0**	**7.2**	27.9	6.9	(1.9)	(6.8)
CEWS	**(1.9)**	**(0.5)**	—	—	(1.9)	—
Communications, utilities and general supplies	**9.7**	**2.7**	11.2	2.8	(1.5)	(13.4)
Profit share	**4.4**	**1.2**	4.2	1.0	0.2	4.8
Foreign exchange	**(0.5)**	**(0.1)**	0.3	0.1	(0.8)	(266.7)
Rent and other	**1.3**	**0.3**	1.8	0.4	(0.5)	(27.8)
Total	**39.0**	**10.8**	45.4	11.2	(6.4)	(14.1)

**as a percentage of total Logistics & Warehousing revenue*

S&A expenses were $39.0 million as compared to $45.4 million in 2019. The decrease of $6.4 million was primarily due to the $0.8 million positive variance in foreign exchange, the cost control initiatives under our COVID-19 Action Plan and CEWS. S&A expenses as a percentage of segment revenue decreased by 0.4 percent to 10.8 percent as compared to 11.2 percent in 2019. Excluding the effects of foreign exchange and CEWS, S&A expenses as a percentage of segment revenue was 11.4 percent as compared to 11.1 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA increased by $6.8 million, or 10.5 percent, to $71.6 million as compared to $64.8 million generated in 2019. The majority of this increase in OIBDA was due to a number of factors, including:

- a strong performance by Kleysen;
- the $6.1 million recognized from the CEWS program;
- lower overall operating costs; and
- the positive year over year variance in foreign exchange.

Operating margin[1] increased by 3.8 percent to 19.8 percent as compared to 16.0 percent in 2019, primarily due to CEWS. Adjusted for CEWS, operating margin[1] increased to 18.1 percent as compared to 16.0 percent in 2019 due to our COVID-19 Action Plan, a strong performance by Kleysen and the beneficial effect of lower diesel prices.

Capital Expenditures

Net capital expenditures[1] were $5.6 million in 2020, a decrease of $10.1 million as compared to $15.7 million in 2019. The Logistics & Warehousing segment had gross capital expenditures of $7.7 million and dispositions of $2.1 million for net capital expenditures[1] of $5.6 million in 2020. The majority of the capital invested in 2020 consisted of growth capital to expand our service offerings and rail capacity at our Edmonton, Alberta distribution center as well as purchase trucks, trailers and various pieces of operating equipment to replace some older less efficient equipment. In 2019 gross capital expenditures were $17.2 million and dispositions were $1.5 million for net capital expenditures[1] of $15.7 million.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

SPECIALIZED & INDUSTRIAL SERVICES SEGMENT

Revenue

Revenue – Specialized & Industrial Services **Years ended December 31** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**289.7**	**80.0**	330.7	77.6	(41.0)	(12.4)
Contractors	**71.6**	**19.8**	94.6	22.2	(23.0)	(24.3)
Other	**0.7**	**0.2**	1.0	0.2	(0.3)	(30.0)
Total	**362.0**	**100.0**	426.3	100.0	(64.3)	(15.1)

Segment revenue declined by $64.3 million, or 15.1 percent, to $362.0 million as compared to $426.3 million in 2019 and represented 31.0 percent of pre-consolidated revenue as compared to 33.2 percent of pre-consolidated revenue in 2019. This decline in revenue was mainly attributable to the collapse in oilfield activity due to the negative effects on demand for oil being partially offset by the rise in demand for large diameter pipeline hauling and stringing services. Segment revenue increased by $1.6 million in the first quarter and then fell by $31.6 million, $19.1 million and $15.2 million in the second, third and fourth quarters, respectively. Specific factors affecting the segment revenue were:

- A $56.0 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to the sharp decline in demand as a result of the oil price collapse that fell dramatically during March before recovering somewhat during the second quarter and slowly improving thereafter.
- A $22.5 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as the demand for most services was severely impacted as customers reduced drilling programs.
- A $14.2 million increase in revenue generated by those Business Units providing specialized services to the oil sands, environmental, construction, pipeline, utility, telecom and water management industries including a $28.3 million increase in pipeline hauling and stringing services revenue as well as an $8.2 million increase in demand for civil construction services at Smook. These increases were partially offset by lower demand for heavy haul transportation, pumps and water management services, and hydrovac services.

Direct Operating Expenses

Direct Operating Expenses – Specialized & Industrial Services **Years ended December 31** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**81.7**	**28.2**	89.6	27.1	(7.9)	(8.8)
CEWS	**(12.1)**	**(4.2)**	—	—	(12.1)	—
Fuel	**19.3**	**6.7**	26.4	8.0	(7.1)	(26.9)
Repairs and maintenance	**43.6**	**15.1**	56.5	17.1	(12.9)	(22.8)
Purchased transportation	**3.3**	**1.1**	2.8	0.8	0.5	17.9
Operating supplies	**37.8**	**13.0**	40.5	12.2	(2.7)	(6.7)
Other	**8.1**	**2.8**	9.1	2.8	(1.0)	(11.0)
	181.7	**62.7**	224.9	68.0	(43.2)	(19.2)
Contractors	**61.8**	**86.3**	78.0	82.5	(16.2)	(20.8)
Total	**243.5**	**67.3**	302.9	71.1	(59.4)	(19.6)

**as a percentage of respective Specialized & Industrial Services revenue*

DOE were $243.5 million as compared to $302.9 million in 2019. The decrease of $59.4 million, or 19.6 percent, was directly related to the $64.3 million, or 15.1 percent, decline in segment revenue. As a percentage of revenue

these expenses decreased by 3.8 percent to 67.3 percent as compared to 71.1 percent in 2019. Adjusted for CEWS, these expenses decreased by 0.5 percent as a percentage of revenue to 70.6 percent as compared to 71.1 percent in 2019 due to a change in revenue mix, cost savings initiatives and lower fuel costs.

DOE associated with Company Equipment decreased by $43.2 million, or 19.2 percent, to $181.7 million as compared to $224.9 million in 2019. This decrease was directly related to the $41.0 million, or 12.4 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 5.3 percent to 62.7 percent as compared to 68.0 percent in 2019, primarily due to CEWS, lower fuel costs as well as lower repairs and maintenance expense. Adjusted for CEWS, these expenses decreased as a percentage of revenue by 1.1 percent to 66.9 percent as compared to 68.0 percent in 2019.

Contractors expense decreased by $16.2 million to $61.8 million as compared to $78.0 million in 2019. As a percentage of Contractors revenue, Contractors expense increased to 86.3 percent as compared to 82.5 percent due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells as well as the use of sub-contracted rail services in Premay Pipeline's operations.

Selling and Administrative Expenses

Selling and Administrative Expenses – Specialized & Industrial Services
Years ended December 31

($ millions)	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**21.6**	**6.0**	27.0	6.3	(5.4)	(20.0)
CEWS	**(3.6)**	**(1.0)**	—	—	(3.6)	—
Communications, utilities and general supplies	**11.5**	**3.2**	14.7	3.4	(3.2)	(21.8)
Profit share	**5.2**	**1.4**	4.9	1.1	0.3	6.1
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**1.4**	**0.4**	1.8	0.6	(0.4)	(22.2)
Total	**36.1**	**10.0**	48.4	11.4	(12.3)	(25.4)

**as a percentage of total Specialized & Industrial Services revenue*

S&A expenses decreased by $12.3 million to $36.1 million as compared to $48.4 million in 2019, primarily as a result of a reduction in wages and benefits expense and CEWS. S&A expenses as a percentage of segment revenue decreased by 1.4 percent to 10.0 percent as compared to 11.4 percent in 2019. Adjusted for CEWS, these expenses decreased by 0.4 percent as a percentage of revenue to 11.0 percent as compared to 11.4 percent in 2019 due to cost control initiatives.

Operating Income Before Depreciation and Amortization

OIBDA increased by $7.4 million, or 9.9 percent, to $82.4 million as compared to $75.0 million in 2019. Operating margin[1] increased to 22.8 percent as compared to 17.6 percent in 2019. The margin gain was due to the change in revenue mix associated with certain large diameter pipeline projects that had a beneficial effect on margin, and CEWS being largely offset by the significant decline in margin generated by those Business Units most directly tied to drilling related activity. More specific changes to OIBDA include:

- an $11.0 million increase relating to those Business Units providing specialized services including pipeline stockpiling and stringing services;
- a $1.6 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $2.0 million decrease from those Business Units tied to drilling and drilling related activity.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Capital Expenditures

Net capital expenditures[1] were $5.4 million in 2020, a decrease of $5.1 million as compared to $10.5 million in 2019. The Specialized & Industrial Services segment had gross capital expenditures of $11.4 million and dispositions of $6.0 million for net capital expenditures[1] of $5.4 million in 2020. The majority of the capital invested consisted of various pieces of operating equipment to support strong demand at Premay Pipeline, to support growth opportunities at Cascade Energy and to replace some equipment at Smook. In 2019 gross capital expenditures were $19.9 million and dispositions were $9.4 million for net capital expenditures[1] of $10.5 million. The majority of the dispositions in 2019 related to the transferring of trucks, trailers and some hydrovac equipment to other segments to improve asset utilization.

CORPORATE

The Corporate Office provides support to the Business Units including coordinating business strategies, monitoring financial and business performance and providing shared services such as payroll services, human resource support, information technology support, legal support and accounting services. The Corporate Office also owns a network of real estate holdings and facilities, through its subsidiary MT, which are leased primarily to the Business Units. Such properties are leased on commercially reasonable terms. In addition, the Corporate Office is responsible for capital allocation to the Business Units as well as all regulatory and public reporting.

The Corporate Office recorded a loss of $11.4 million in 2020 as compared to a loss of $9.5 million in 2019. The $1.9 million increase in loss was mainly attributable to a lower amount of costs recovered from our Business Units, from lower income generated from investments and from a $0.7 million negative variance in foreign exchange. In 2020 the Corporate Office recorded a foreign exchange loss of $1.1 million as compared to a foreign exchange loss of $0.4 million in 2019. These increases were somewhat offset by lower salaries resulting from cost control initiatives.

[The remainder of this page intentionally left blank.]

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

($ millions)	Years ended December 31 2020		2019	
Net cash from operating activities	$	**224.8**	$	170.6
Net cash used in financing activities		**(128.9)**		(15.0)
Net cash used in investing activities		**(68.7)**		(79.9)
Change in cash and cash equivalents		**27.2**		75.7
Effect of exchange rate fluctuations on cash held		**(0.9)**		(0.6)
Cash and cash equivalents, beginning of period		**79.0**		3.9
Cash and cash equivalents, end of period	$	**105.3**	$	79.0

Annual Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $224.8 million in 2020 as compared to $170.6 million in 2019. Net cash used in financing activities in 2020 was $128.9 million as compared to using $15.0 million in 2019. The $113.9 million increase in cash used was mainly due to issuing the Debentures in 2019 and from using $53.4 million to repurchase and cancel 7,972,926 Common Shares under the NCIB in 2020. These items were somewhat offset by the $30.0 million repayment of the Bank Credit Facility in 2019 and from a decrease in dividends paid to common shareholders in 2020. Net cash used in investing activities decreased by $11.2 million due to a reduction in cash used on net capital expenditures[1] in 2020, which was somewhat offset by a greater amount of cash used on acquisitions in 2020. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities increased to $224.8 million in 2020 as compared to $170.6 million in 2019. The increase of $54.2 million, or 31.8 percent was mainly due to a $23.1 million increase in cash generated from non-cash working capital items, from a $14.4 million decrease in cash taxes paid and a $16.7 million increase in OIBDA.

The change in non-cash working capital items from operating activities is detailed in the table below:

Changes in Non-Cash Working Capital Items from Operating Activities

($ millions)	Years ended December 31 2020	2019	Variance
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**24.4**	13.3	11.1
Inventory	**2.9**	0.9	2.0
Prepaid expenses	**2.0**	(3.5)	5.5
Accounts payable and accrued liabilities	**(6.7)**	(11.2)	4.5
Total sources (uses) of cash from non-cash working capital items	**22.6**	(0.5)	23.1

In 2020 we generated $22.6 million of cash from changes in non-cash working capital items from operating activities as compared to using $0.5 million of cash in 2019. This $23.1 million variance was mainly due to the following factors.

- An additional $11.1 million of cash was generated from trade and other receivables that resulted from the combined effect of a $24.4 million source of cash in 2020 as compared to a $13.3 million source of cash in 2019.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

- An additional $2.0 million of cash was generated from inventory that resulted from the combined effect of a $2.9 million source of cash in 2020 as compared to a $0.9 million source of cash in 2019.
- An additional $5.5 million of cash was generated from prepaid expenses that resulted from the combined effect of a $2.0 million source of cash in 2020 as compared to a $3.5 million use of cash in 2019.
- An additional $4.5 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of a $6.7 million use of cash in 2020 as compared to an $11.2 million use of cash in 2019.

Cash Used In Financing Activities

Net cash used in financing activities was $128.9 million in 2020 as compared to using $15.0 million in 2019. This $113.9 million variance was mainly due to the factors set forth below.

- A $119.8 million variance in cash from issuing the Debentures in the second quarter of 2019.
- A $53.4 million increase in cash used in 2020 by repurchasing and cancelling 7,972,926 Common Shares under the NCIB.
- A $3.5 million increase in interest paid in 2020.
- A $0.4 million increase in the repayment of lease liabilities in 2020.

Somewhat offsetting these items were the following:

- A $30.0 million decrease in cash used resulting from the repayment of borrowings on the Bank Credit Facility in 2019.
- A $27.4 million decrease in cash used on paying dividends to common shareholders.
- A $5.8 million decrease in the repayment of long-term debt and loans.

Cash Used In Investing Activities

Net cash used in investing activities decreased to $68.7 million in 2020 as compared to $79.9 million in 2019. This $11.2 million decrease was mainly due to the factors set forth below.

- An $18.1 million decrease in net capital expenditures[1]. In 2020 net capital expenditures[1] were $50.4 million as compared to $68.5 million in 2019.
- A $0.2 million change in net investment in finance leases.
- A $0.2 million decrease in cash used on the purchase of intangible assets.

Somewhat offsetting these items were the following:

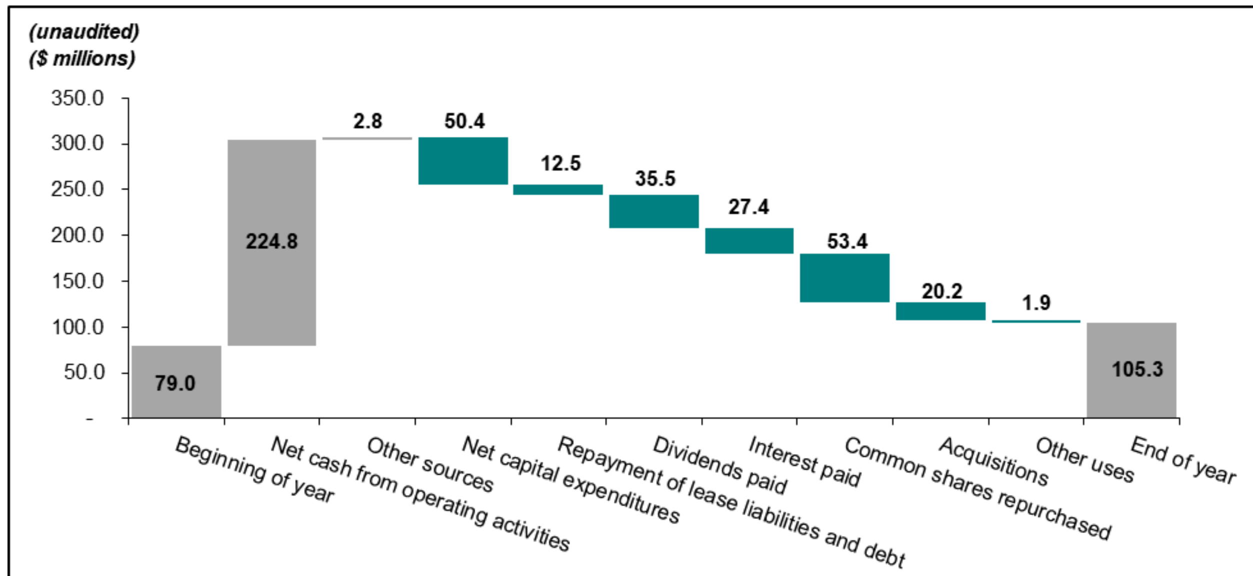
- A $4.5 million increase in cash used on acquisitions.
- A $0.8 million variance in changes in non-cash working capital items from investing activities.
- A $1.0 million decrease in interest received from cash and cash equivalents.
- A $0.7 million decrease in cash generated on investments due to selling some portfolio investments in 2019.
- A $0.3 million change in other assets.

---

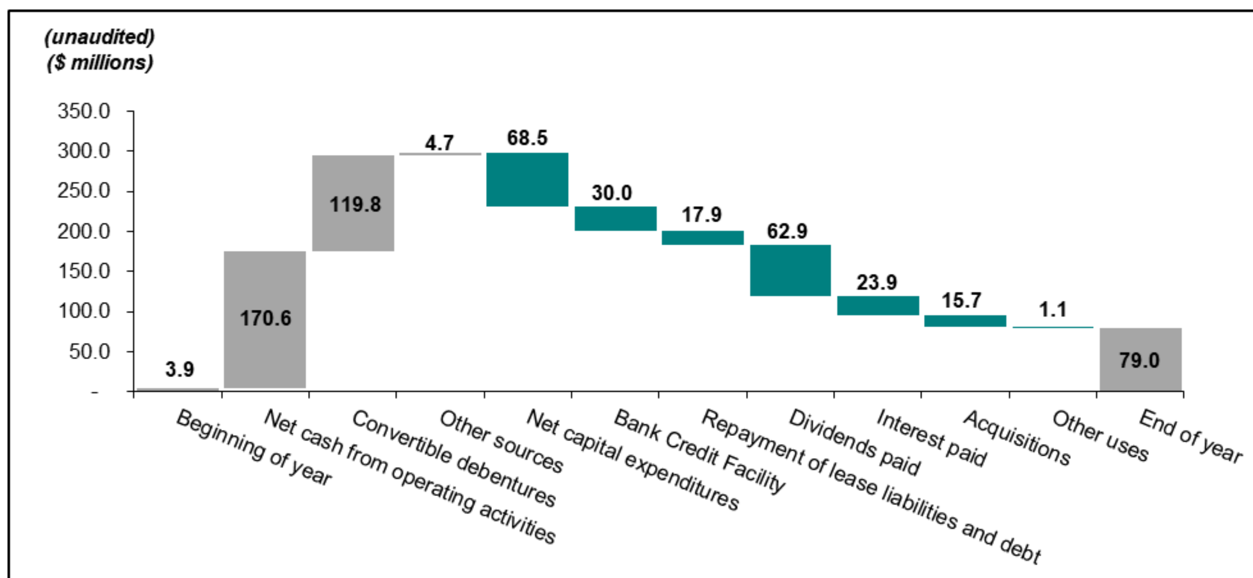
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

The following charts present the sources and uses of cash for comparative purposes.

Year ended December 31, 2020



Year ended December 31, 2019



In addition to the $224.8 million (2019 – $170.6 million) of net cash from operating activities, we also received $2.8 million (2019 – $124.5 million) of cash from other sources, which mainly consisted of interest income generated from cash and cash equivalents and from cash received on net investment in finance leases. Cash from other sources in 2019 mainly consisted of receiving $119.8 million from the Debentures. Cash was used to repurchase and cancel 7,972,926 Common Shares for $53.4 million, repay finance leases and debt of $12.5 million (2019 – $17.9 million), fund acquisitions of $20.2 million (2019 – $15.7 million), pay dividends totalling $35.5 million (2019 – $62.9 million), incur net capital expenditures[1] of $50.4 million (2019 – $68.5 million) and pay interest obligations of $27.4 million (2019 – $23.9 million). In 2019 cash was also used to repay the Bank Credit Facility of $30.0 million. We also had $1.9 million (2019 – $1.1 million) of other uses.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Working Capital

At December 31, 2020, we had $239.1 million (December 31, 2019 – $243.3 million) of working capital, which included $105.3 million of cash and cash equivalents, of which $24.2 million was denominated in U.S. currency. On June 21, 2019, our Bank Credit Facility was increased by $25.0 million to $150.0 million. This working capital also includes a current liability of $11.4 million (December 31, 2019 – $10.7 million) related to the current portion of lease liabilities. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2021 are available to finance our ongoing working capital requirements, our dividend, our 2021 capital budget, as well as various special projects and acquisition opportunities.

Generally, over the course of an economic cycle, our maintenance capital expenditures approximate our annual depreciation on property, plant and equipment. Our diverse business model, and wide range of operations, provide us with the ability to redeploy certain assets over different regions for greater utilization. In 2020 there were $2.0 million (2019 – $5.4 million) of trucks and trailers transferred amongst our Business Units. It also provides us with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

The following chart summarizes our capital expenditures and depreciation for facilities as well as trucks, trailers and specialized equipment for the last number of years.

Capital Expenditures and Depreciation Summary	**Years ended December 31**			
($ millions)	**2020**	**2019**	**2018**	**2017**
	$	**$**	**$**	**$**
Facilities				
Gross capital expenditures	**22.6**	18.7	22.4	2.5
Net capital expenditures[1]	**15.2**	18.7	22.4	1.8
Depreciation	**8.4**	7.9	7.8	7.7
Trucks, trailers and specialized equipment				
Gross capital expenditures	**42.3**	56.3	77.3	30.6
Net capital expenditures[1]	**35.2**	49.8	65.1*	18.0
Depreciation	**64.0**	72.6	64.3	67.7
Total				
Gross capital expenditures	**64.9**	75.0	99.7	33.1
Net capital expenditures[1]	**50.4**	68.5	87.5	19.8
Depreciation	**72.4**	80.5	72.1	75.4

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
** Included $8.9 million of net capital expenditures for special projects.*

Debt

As at December 31, 2020, we had net debt[1] outstanding of $357.3 million, (December 31, 2019 – $362.8 million), which consisted of total debt of $607.8 million (December 31, 2019 – $616.8 million) less working capital (excluding the current portion of lease liabilities) of $250.5 million (December 31, 2019 – $254.0 million). The primary reason for the decrease in the carrying value of the long-term debt was due to the impact of the strengthening of the Canadian dollar relative to the U.S. dollar on our U.S. dollar denominated debt. Total debt is comprised of the Private Placement Debt, the Debentures, lease liabilities and the Bank Credit Facility. The following table summarizes our total debt and net debt[15] as at December 31, 2020, and December 31, 2019:

		December 31, 2020		December 31, 2019		
($ millions)	**Interest Rate**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**Change in CDN. Dollar Equivalent**
Private Placement Debt:						
Series G - matures October 22, 2024	3.84%	$ 117.0	$ 149.0	$ 117.0	$ 151.9	$ (2.9)
Series H - matures October 22, 2026	3.94%	112.0	142.6	112.0	145.5	(2.9)
Series I - matures October 22, 2024	3.88%	—	30.0	—	30.0	—
Series J - matures October 22, 2026	4.00%	—	3.0	—	3.0	—
Series K - matures October 22, 2024	3.95%	—	58.0	—	58.0	—
Series L - matures October 22, 2026	4.07%	—	80.0	—	80.0	—
Bank Credit Facility	variable[(1)]	—	—	—	—	—
Less:						
Unamortized debt issuance costs		—	(0.9)	—	(1.0)	0.1
Long-term debt (including the current portion)		229.0	461.7	229.0	467.4	(5.7)
Debentures – debt component	5.75%	—	111.1	—	108.7	2.4
Lease liabilities (including the current portion)	3.20%	—	35.0	—	40.7	(5.7)
Total debt		$ 229.0	$ 607.8	$ 229.0	$ 616.8	$ (9.0)
Less:						
Working capital (excluding the Bank Credit Facility and the current portion of leases)			250.5		254.0	(3.5)
Net debt[(2)]			$ 357.3		$ 362.8	$ (5.5)

[(1)] Bank prime rate plus 0.5 percent or bankers' acceptance rates plus 1.5 percent.
[(2)] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total Net Debt[1] to Operating Cash Flow. Mullen Group's total net debt[1] cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt[1] means all debt excluding the Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position but includes the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit. The term "**operating cash flow**", as defined within the 2014 Note Purchase Agreement, means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables us to include the trailing twelve months operating cash flows from acquisitions. Although permitted, we have not included any operating cash flows generated prior to the date of the acquisition from our recent acquisitions in this financial covenant calculation.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total net debt[1] to operating cash flow was calculated as follows:

Total net debt(1) to operating cash flow		December 31 2020		December 31 2019
Total net debt(1)	$	462.8	$	470.6
Operating cash flow	$	220.1	$	204.7
Total net debt(1) to operating cash flow		2.10:1		2.30:1

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total Earnings Available for Fixed Charges to Total Fixed Charges. The fixed charge coverage ratio cannot be less than 1.75:1 calculated using the trailing twelve months financial results.

The term "**total earnings available for fixed charges**" means, for any period, consolidated net income plus all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) the depreciation and amortization taken during such period, (iii) consolidated fixed charges, (iv) interest charges with respect to convertible debentures, and (v) non-cash charges, and less any non-cash gains included in the computation of consolidated net income. The term "**total fixed charges"** means, for any period, the sum of total interest charges and rental charges for such period.

Total Earnings Available for Fixed Charges to Total Fixed Charges		December 31 2020		December 31 2019
Total earnings available for fixed charges	$	222.4	$	207.2
Total fixed charges	$	22.5	$	23.2
Total earnings available for fixed charges to total fixed charges		9.87:1		8.94:1

Mullen Group, as evidenced by the table below, is in compliance with both of the aforementioned covenants.

Financial Covenants	Financial Covenant Threshold	December 31 2020	December 31 2019
Private Placement Debt Covenants			
(a) Total net debt(1) to operating cash flow cannot exceed	3.50:1	2.10:1	2.30:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	9.87:1	8.94:1

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Total net debt[1] to operating cash flow was 2.10:1 at December 31, 2020. Assuming the $462.8 million of total net debt[1] remains constant, we would need to generate approximately $132.2 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to our trailing twelve months' operating cash flows from the date of acquisition for financial covenant calculation purposes.

Mullen Group is also subject to a priority debt covenant. The term "priority debt" means all indebtedness secured by permitted liens excluding certain qualified subsidiary debt. Priority debt cannot exceed 15.0 percent of total assets. At December 31, 2020, the priority debt was $0.7 million or an insignificant percentage of total assets.

Our debt-to-equity ratio was 0.68:1 at December 31, 2020, as compared to 0.67:1 at December 31, 2019. This increase in the debt-to-equity ratio was due to the net effect of a $9.0 million decrease in total debt (including the current portion) and a $21.5 million decrease in equity as compared to December 31, 2019. The $9.0 million decrease in total debt was due to the $5.9 million foreign exchange gain on the Corporation's U.S. dollar debt and from a $5.7 million reduction in lease liabilities, being somewhat offset by a $2.4 million increase in the debt component of the Debentures. The $21.5 million decrease in equity mainly resulted from the $33.2 million of dividends declared to shareholders in 2020 and the 7,972,926 Common Shares repurchased and cancelled for $53.4 million. These items were somewhat offset by the $64.0 million of net income being recognized in 2020.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Contractual Obligations

The following table summarizes the contractual maturities of financial liabilities using the contractual cash flows.

	Maximum Payments				
	Total	**2021 1 year**	**2022-2023 2 – 3 years**	**2024-2025 4 – 5 years**	**5 years and thereafter**
($ millions)	**$**	**$**	**$**	**$**	**$**
Long-term debt[(1)]	462.6	—	—	237.0	225.6
Interest on long-term debt[(1)]	90.7	18.2	36.3	27.2	9.0
Debentures	125.0	—	—	—	125.0
Interest on the Debentures	42.6	7.2	14.4	14.4	6.6
Purchase obligations	13.1	13.1	—	—	—
Lease liabilities	37.5	12.4	13.7	6.4	5.0
Total Contractual Obligations	771.5	50.9	64.4	285.0	371.2

(1) Assumes a U.S. dollar foreign exchange rate of $1.2732.

We ended 2020 with long-term debt (including the current portion thereof) of $461.7 million, a decrease of $5.7 million as compared to the $467.4 million of long-term debt at the beginning of the year. This decrease was due to the $5.9 million foreign exchange gain on the Corporation's U.S. dollar debt. The long-term debt consists of the Private Placement Debt, which matures in 2024 and 2026.

In June 2019, we issued $125.0 million of the Debentures, by way of a bought deal, at a price of $1,000 per Debenture. The Debentures mature on November 30, 2026, and bear interest at an annual rate of 5.75 percent payable semi-annually in arrears on the last day of May and November of each year. Each $1,000 Debenture is convertible into 71.4286 Common Shares (or a conversion price of $14.00) at any time at the option of the holders of the Debentures. As at the date of issuance, an aggregate of 8,928,575 Common Shares would be issued if all holders converted their principal amount.

As at December 31, 2020, we entered into various capital expenditure purchase obligations totalling $13.1 million. The majority of these purchase obligations relate to the acquisition of trucks and trailers given that certain manufacturers require purchase obligations in advance so that manufacturing can commence and expected delivery times can be met.

Effective January 1, 2019, we adopted IFRS 16 – Leases using the modified retrospective method whereby comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. The majority of our lease liabilities relate to real property leases that are mainly utilized by certain Business Units within the Logistics & Warehousing and the Less-Than-Truckload segments. Some Business Units have also entered into leases pertaining to various pieces of operating equipment including rail cars, trucks and trailers. As at December 31, 2020, we had total contractual cash commitments of $37.5 million while the carrying amount of these lease liabilities on our consolidated statement of financial position was $35.0 million. The carrying amount is measured at the present value of the remaining lease payments at an average incremental borrowing rate of 3.2 percent.

Share Capital

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of Preferred Shares, issuable in series. The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board prior to the creation and issuance thereof. As at the date hereof, no series of Preferred Shares has been created.

Common Shares

Common Shares **Authorized: Unlimited Number**	**# of Common Shares**		**Amount *($ millions)***
Balance at December 31, 2019	104,824,973	$	946.9
Common Shares repurchased and cancelled	(7,972,926)		(72.0)
Balance at December 31, 2020	**96,852,047**	**$**	**874.9**

At December 31, 2020, there were 96,852,047 Common Shares outstanding representing $874.9 million in share capital. In 2020 we repurchased and cancelled 7,972,926 Common Shares under the NCIB program.

Stock Option Plan

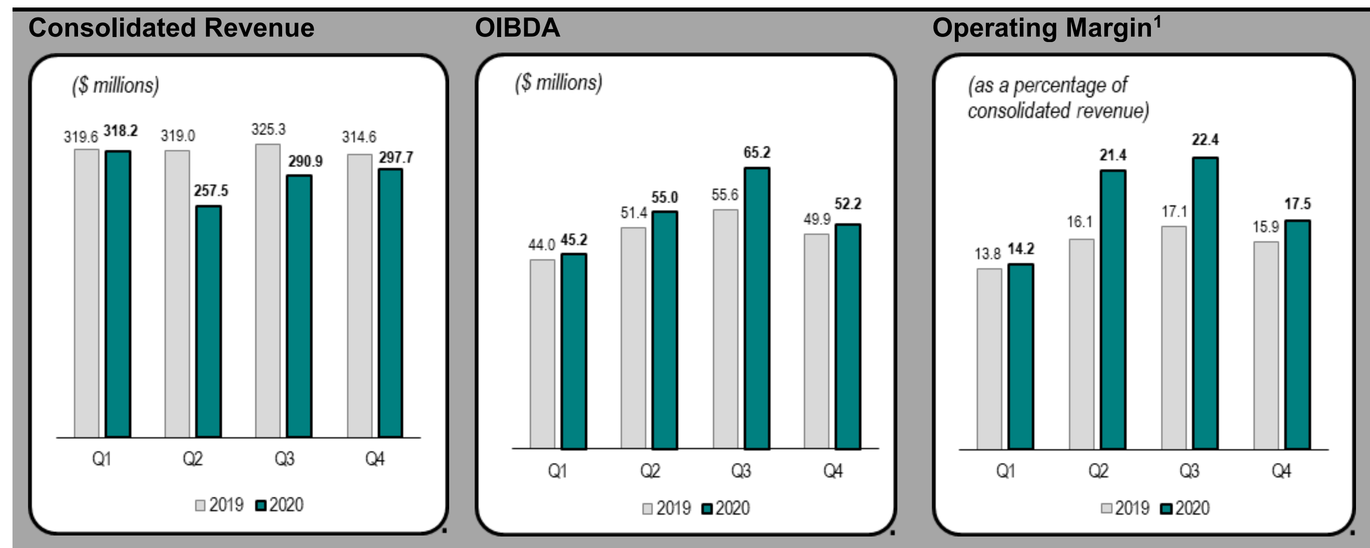
	Options		**Weighted average exercise price**
Outstanding – December 31, 2019	3,280,000	$	19.22
Forfeited	(285,000)		(17.50)
Outstanding – December 31, 2020	**2,995,000**		**19.38**
Exercisable – December 31, 2020	**2,990,000**		**19.39**

There are 3,772,500 options available to be issued under our stock option plan. In 2020 there were 285,000 stock options forfeited. As at December 31, 2020, Mullen Group had 2,995,000 stock options outstanding under the stock option plan. As at January 31, 2021, there were 2,690,000 stock options outstanding under the stock option plan.

[The remainder of this page intentionally left blank.]

FOURTH QUARTER 2020 – CONSOLIDATED FINANCIAL RESULTS

Summary – Trailing Eight Quarters



Revenue

Q4 Consolidated Revenue by Segment **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Less-Than-Truckload	**116.3**	**39.0**	114.2	36.1	2.1	1.8
Logistics & Warehousing	**96.8**	**32.5**	102.2	32.3	(5.4)	(5.3)
Specialized & Industrial Services	**84.8**	**28.5**	100.0	31.6	(15.2)	(15.2)
Corporate and intersegment eliminations	**(0.2)**	**—**	(1.8)	—	1.6	—
Total	**297.7**	**100.0**	314.6	100.0	(16.9)	(5.4)

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the fourth quarter decreased by $16.9 million, or 5.4 percent, declining to $297.7 million as compared to $314.6 million in 2019. The negative effects of COVID-19 continued to impact the demand for most trucking and logistics services. In our Less-Than-Truckload segment revenue declined by only 0.4 percent year over year, once adjusted for fuel surcharge fluctuations and the acquisition of PCX, reflecting the steady nature of the consumer demand. The demand for Logistics & Warehousing segment services was much softer than 2019 due to plant closures and supply chain disruptions. This segment experienced a revenue decline of 5.3 percent or $5.4 million. In our Specialized & Industrial Services segment, revenue declined by 15.2 percent, or $15.2 million, due to the collapse in oil prices and the lack of oilfield and maintenance activity that was offset by strong pipeline construction activity. Fuel surcharge revenue was $16.1 million as compared to $21.7 million in 2019.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Q4 Consolidated Revenue Three month periods ended December 31 *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**218.5**	**73.4**	234.6	74.6	(16.1)	(6.9)
Contractors	**78.0**	**26.2**	79.0	25.1	(1.0)	(1.3)
Other	**1.2**	**0.4**	1.0	0.3	0.2	20.0
Total	**297.7**	**100.0**	314.6	100.0	(16.9)	(5.4)

Revenue generated by Company Equipment decreased by $16.1 million, or 6.9 percent, to $218.5 million as compared to $234.6 million in 2019 and represented 73.4 percent of consolidated revenue in the current period as compared to 74.6 percent in 2019. Revenue related to Contractors decreased by $1.0 million, or 1.3 percent, to $78.0 million as compared to $79.0 million in 2019 and represented 26.2 percent of consolidated revenue in the current period as compared to 25.1 percent in 2019.

Direct Operating Expenses

Q4 Consolidated Direct Operating Expenses Three month periods ended December 31 *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**58.3**	**26.7**	58.8	25.1	(0.5)	(0.8)
CEWS	**(3.8)**	**(1.8)**	—	—	(3.8)	—
Fuel	**16.6**	**7.6**	22.1	9.4	(5.5)	(24.9)
Repairs and maintenance	**27.1**	**12.4**	29.4	12.5	(2.3)	(7.8)
Purchased transportation	**23.9**	**10.9**	26.9	11.5	(3.0)	(11.2)
Operating supplies	**17.2**	**7.9**	20.0	8.5	(2.8)	(14.0)
Other	**7.1**	**3.3**	6.3	2.7	0.8	12.7
	146.4	**67.0**	163.5	69.7	(17.1)	(10.5)
Contractors	**59.1**	**75.8**	58.8	74.4	0.3	0.5
Total	**205.5**	**69.0**	222.3	70.7	(16.8)	(7.6)

**as a percentage of respective Consolidated revenue*

DOE were $205.5 million in the fourth quarter as compared to $222.3 million in 2019. This decrease of $16.8 million, or 7.6 percent, once adjusted for the effect of CEWS, was generally in line with the $16.9 million decrease in consolidated revenue. Adjusted for CEWS, these expenses declined as a percentage of revenue to 70.3 percent as compared to 70.7 percent in 2019.

DOE associated with Company Equipment decreased to $146.4 million as compared to $163.5 million in 2019. This decrease of $17.1 million, or 10.5 percent, was attributable to the $16.1 million, or 6.9 percent, decrease in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 2.7 percent to 67.0 percent as compared to 69.7 percent in 2019. Adjusted for CEWS, as a percentage of Company revenue these expenses decreased by 1.0 percent to 68.7 percent as compared to 69.7 percent in 2019. The reduction in fuel expense accounted for the majority of the decrease. Total fuel expense decreased by 1.8 percent of Company revenue to 7.6 percent, or $16.6 million, as compared to 9.4 percent or $22.1 million in 2019. Somewhat offsetting this reduction in fuel expense was a rise in wages and benefits expense as a percentage of revenue.

Contractors expense in the fourth quarter increased to $59.1 million as compared to $58.8 million in 2019. This $0.3 million, or 0.5 percent, increase was generally in line with the $1.0 million, or 1.3 percent, decline in Contractors revenue. As a percentage of revenue, Contractors expense increased by 1.4 percent to 75.8 percent as compared to 74.4 percent in 2019 and was primarily attributable to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

Q4 Consolidated Selling and Administrative Expenses
Three month periods ended December 31

(unaudited) *($ millions)*	**2020**		2019		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**23.8**	**8.0**	24.6	7.8	(0.8)	(3.3)
CEWS	**(1.5)**	**(0.5)**	—	—	(1.5)	—
Communications, utilities and general supplies	**11.1**	**3.7**	12.0	3.8	(0.9)	(7.5)
Profit share	**3.5**	**1.2**	3.4	1.1	0.1	2.9
Foreign exchange	**1.5**	**0.5**	0.4	0.1	1.1	275.0
Stock-based compensation	**0.1**	**—**	0.4	0.1	(0.3)	(75.0)
Rent and other	**1.5**	**0.5**	1.6	0.6	(0.1)	(6.3)
Total	**40.0**	**13.4**	42.4	13.5	(2.4)	(5.7)

as a percentage of total Consolidated revenue

S&A expenses for the period declined by $2.4 million to $40.0 million as compared to $42.4 million in 2019, largely due to cost control initiatives and CEWS being partially offset by the $1.1 million negative variance in foreign exchange expense that related to the year over year change in the Canadian dollar relative to the U.S. dollar and the $1.5 million of incremental S&A expenses associated with acquisitions. Adjusted for CEWS and foreign exchange, S&A expenses were consistent as a percentage of revenue at 13.4 percent as compared to 13.4 percent in 2019.

Operating Income Before Depreciation and Amortization

Q4 Consolidated Operating Income Before Depreciation and Amortization
Three month periods ended December 31

(unaudited) *($ millions)*	**2020**		2019		Change	
	$	**%**	**$**	**%**	**$**	**%**
Less-Than-Truckload	**18.8**	**36.0**	16.7	33.5	2.1	12.6
Logistics & Warehousing	**20.0**	**38.3**	19.5	39.1	0.5	2.6
Specialized & Industrial Services	**17.7**	**33.9**	16.8	33.6	0.9	5.4
Corporate	**(4.3)**	**(8.2)**	(3.1)	(6.2)	(1.2)	38.7
Total	**52.2**	**100.0**	49.9	100.0	2.3	4.6

OIBDA for the period was $52.2 million, or 17.5 percent of revenue, as compared to $49.9 million, or 15.9 percent, in 2019. The $2.3 million increase in OIBDA was comprised of a $2.1 million increase in the Less-Than-Truckload segment, a $0.5 million increase in the Logistics & Warehousing segment, a $0.9 million increase in the Specialized & Industrial Services segment and a $1.2 million increase in Corporate costs. Adjusted for CEWS, OIBDA was $46.9 million for an operating margin[1] of 15.8 percent, fairly consistent with the 15.9 percent operating margin[1] achieved in 2019.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $18.8 million in the fourth quarter as compared to $26.7 million in 2019. This decrease of $7.9 million was mainly attributable to a lower amount of depreciation being recognized in the Specialized & Industrial Services segment and the Logistics & Warehousing segment, which was somewhat offset by a greater amount of depreciation being recorded in the Less-Than-Truckload segment. Depreciation in the Corporate Office remained consistent on a year over year basis. Depreciation in the Specialized & Industrial Services segment decreased by $7.0 million and was mainly due to additional depreciation recognized in 2019 on specialty equipment within Spearing and Formula Powell after an assessment of market conditions for such equipment. Depreciation also decreased due to the lower amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

depreciation. Depreciation in the Logistics & Warehousing segment decreased by $1.2 million due to additional depreciation recognized in 2019 within Cascade Carriers on certain trucks after an assessment of market conditions for that specific make and model of equipment. Depreciation in the Less-Than-Truckload segment increased by $0.3 million due to a greater amount of capital expenditures being made within this segment.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $3.0 million in the fourth quarter as compared to $3.3 million in 2019. This decrease of $0.3 million was mainly attributable to a lower amount of depreciation of right-of-use assets being recorded in the Logistics & Warehousing segment and the Specialized & Industrial Services segment. Depreciation in the Less-Than-Truckload segment remained consistent on a year over year basis. Depreciation in the Logistics & Warehousing segment and the Specialized & Industrial Services segment decreased by $0.2 million and $0.1 million, respectively. These decreases were mainly due to some real property leases that have come to the end of their term and were not renewed.

Amortization of Intangible Assets

Amortization of intangible assets was $4.8 million in the fourth quarter as compared to $5.3 million in 2019. This decrease of $0.5 million resulted from certain intangible assets becoming fully amortized, which was somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisition of PCX and IWD.

Finance Costs

Finance costs were $7.3 million in the fourth quarter as compared to $6.4 million in 2019. The increase of $0.9 million was mainly attributable to a greater amount of interest expense being recorded on our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar. The Corporation also generated a lower amount of interest income in 2020 due to a decrease in the debentures issued to our equity investees.

Net Foreign Exchange Loss (Gain)

The net foreign exchange loss was $0.1 million in the fourth quarter as compared to a gain of $2.3 million in 2019. The components of net foreign exchange loss (gain) were as follows:

Net Foreign Exchange Loss (Gain)	**Three month periods ended December 31**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2020**	**2019**
Foreign exchange (gain) loss on U.S. $ debt	**(13.9)**	(5.8)
Foreign exchange loss (gain) on Cross-Currency Swaps	**14.0**	3.5
Net foreign exchange loss (gain)	**0.1**	(2.3)

Foreign Exchange (Gain) Loss on U.S. $ Debt

We recorded a foreign exchange gain of $13.9 million related to our U.S. dollar debt due to the $0.0607 strengthening of the Canadian dollar relative to the U.S. dollar during the fourth quarter. For the same period in 2019, we recorded a foreign exchange gain of $5.8 million due to the $0.0255 strengthening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange gain on the U.S. dollar debt is summarized in the following table:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Three month periods ended December 31**					
	2020			**2019**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – December 31	**229.0**	**1.2732**	**291.6**	229.0	1.2988	297.5
Beginning – September 30	**229.0**	**1.3339**	**305.5**	229.0	1.3243	303.3
Foreign exchange (gain) loss on U.S. $ debt			**(13.9)**			(5.8)

Foreign Exchange Loss (Gain) on Cross-Currency Swaps

The foreign exchange loss on Cross-Currency Swaps of $14.0 million in the fourth quarter was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Three month periods ended December 31**			
	2020		**2019**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**7.1**	117.0	1.9
Cross-Currency Swap maturing October 22, 2026	**112.0**	**6.9**	112.0	1.6
Foreign exchange loss (gain) on Cross-Currency Swaps		**14.0**		3.5

Other (Income) Expense

Other expense was $5.3 million in the fourth quarter of 2020 as compared to $0.3 million of other expense recorded in 2019. The $5.0 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $0.1 million). We recorded an increase in the fair value of investments of $0.4 million in the fourth quarter as compared to a $0.3 million increase in 2019.

Loss on Sale of Property, Plant and Equipment (negative variance of $4.3 million). We recognized a loss of $5.2 million on sale of property, plant and equipment on total consolidated proceeds on sale of $8.7 million in the fourth quarter as compared to a $0.9 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $2.8 million in 2019. The $5.2 million loss on sale of property, plant and equipment in 2020 mainly resulted from the sale of redundant land and buildings within the Corporate Office (loss of $3.3 million) and from shutting in a disposal well at Envolve (loss of $1.9 million). The $0.9 million loss on sale of property, plant and equipment in 2019 resulted from the sale of older assets by Business Units within the Specialized & Industrial Services segment.

Earnings from Equity Investments (negative variance of $0.8 million). We recognized a $0.5 million loss from equity investments in the fourth quarter as compared to $0.3 million of earnings in 2019. There were no equity investments purchased or sold in the fourth quarter of 2020 and 2019.

Income Taxes

(unaudited) ($ millions)	Three month periods ended December 31	
	2020	**2019**
Income before income taxes	**$ 12.9**	$ 10.2
Combined statutory tax rate	**26%**	27%
Expected income tax	**3.4**	2.7
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**—**	(0.2)
Stock-based compensation expense	**0.1**	0.1
Changes in unrecognized deferred tax asset	**—**	(0.2)
Decrease in income tax due to changes in income tax rate	**(0.1)**	—
Other	**(0.6)**	(0.6)
Income tax expense	**$ 2.8**	$ 1.8

Income tax expense increased to $2.8 million in the fourth quarter as compared to $1.8 million in 2019. This increase of $1.0 million was mainly attributable to the greater amount of income generated in the fourth quarter of 2020 as compared to the prior year period and from the variance in net foreign exchange.

Net Income

(unaudited) ($ millions, except share and per share amounts)	Three month periods ended December 31		
	2020	**2019**	**% Change**
Net income	**$ 10.1**	$ 8.4	20.2
Weighted average number of Common Shares outstanding	**96,870,540**	104,824,973	(7.6)
Earnings per share – basic	**$ 0.10**	$ 0.08	25.0

Net income increased to $10.1 million in the fourth quarter of 2020 as compared to $8.4 million in 2019. The factors contributing to the increase in net income include:

- a $7.9 million decrease in depreciation of property, plant and equipment;
- a $2.3 million increase in OIBDA;
- a $0.5 million decrease in amortization of intangible assets;
- a $0.3 million decrease in depreciation of right-of-use assets; and
- a $0.1 million positive variance in the fair value of investments.

These factors were somewhat offset by the following factors that decreased net income:

- a $4.3 million increase in the loss on sale of property, plant and equipment;
- a $2.4 million negative variance in net foreign exchange;
- a $1.0 million increase in income tax expense;
- a $0.9 million increase in finance costs; and
- a $0.8 million decrease in earnings from equity investments.

Basic earnings per share increased to $0.10 in 2020 as compared to $0.08 in 2019. This increase resulted from the effect of the $1.7 million increase in net income. The weighted average number of Common Shares outstanding decreased from 104,824,973 to 96,870,540, which was due to the repurchase and cancellation of 7,972,926 Common Shares under the NCIB in 2020.

Net Income – Adjusted and Earnings per Share – Adjusted

The following table illustrates net income and basic earnings per share before considering the impact of the net foreign exchange gains or losses and the change in fair value of investments. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended December 31**			
		2020		**2019**
Income before income taxes	**$**	**12.9**	$	10.2
Add (deduct):				
Net foreign exchange loss (gain)		**0.1**		(2.3)
Change in fair value of investments		**(0.4)**		(0.3)
Income before income taxes – adjusted		**12.6**		7.6
Income tax rate		**26%**		27%
Computed expected income tax expense		**(3.3)**		(2.0)
Net income – adjusted[(1)]		**9.3**		5.6
Weighted average number of Common Shares outstanding – basic		**96,870,540**		104,824,973
Earnings per share – adjusted[(1)]	**$**	**0.10**	$	0.05

[(1)] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

[The remainder of this page intentionally left blank.]

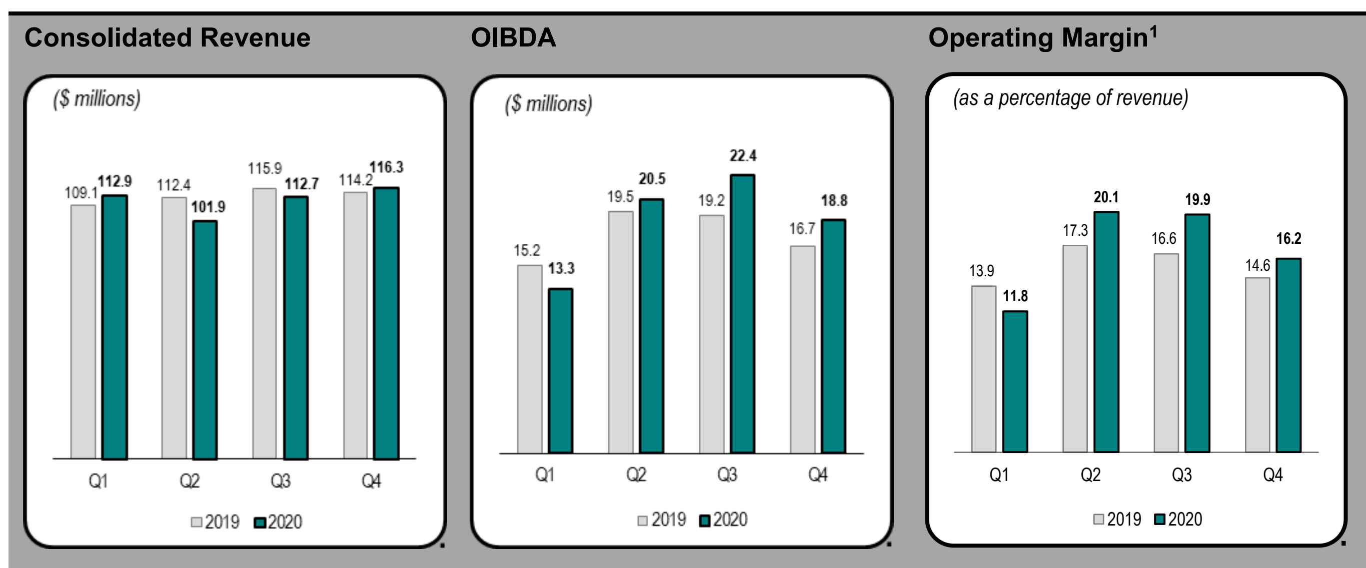
FOURTH QUARTER 2020 – SEGMENTED INFORMATION

Three month period ended December 31, 2020 *(unaudited)* *($ millions)*	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	$	**$**	**$**	**$**	**$**
Revenue	**116.3**	**96.8**	**84.8**	**(0.2)**	**297.7**
Direct operating expenses	**81.2**	**66.2**	**58.6**	**(0.5)**	**205.5**
Selling and administrative expenses	**16.3**	**10.6**	**8.5**	**4.6**[(1)]	**40.0**
Operating income before depreciation and amortization	**18.8**	**20.0**	**17.7**	**(4.3)**	**52.2**
Net capital expenditures[(2)]	**10.2**	**(0.6)**	**(0.7)**	**9.8**	**18.7**

Three month period ended December 31, 2019 *(unaudited)* *($ millions)*	Less-Than -Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate and intersegment eliminations	Total
	$	$	$	$	$
Revenue	114.2	102.2	100.0	(1.8)	314.6
Direct operating expenses	81.7	71.4	71.7	(2.5)	222.3
Selling and administrative expenses	15.8	11.3	11.5	3.8[(3)]	42.4
Operating income before depreciation and amortization	16.7	19.5	16.8	(3.1)	49.9
Net capital expenditures[(2)]	7.7	3.1	(0.7)	10.8	20.9

[(1)] *Includes a $1.1 million foreign exchange loss.*
[(2)] *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*
[(3)] *Includes a $0.2 million foreign exchange loss.*

LESS-THAN-TRUCKLOAD SEGMENT



[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Revenue

Q4 Revenue – Less-Than-Truckload Three month periods ended December 31 *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%	$	%	$	%
Company	**107.8**	**92.7**	112.2	98.2	(4.4)	(3.9)
Contractors	**8.5**	**7.3**	1.9	1.7	6.6	347.4
Other	**—**	**—**	0.1	0.1	(0.1)	(100.0)
Total	**116.3**	**100.0**	114.2	100.0	2.1	1.8

Segment revenue increased by $2.1 million, or 1.8 percent, to $116.3 million as compared to $114.2 million in 2019 and represented 39.0 percent of pre-consolidated revenue as compared to 36.1 percent in 2019. This increase in revenue was mainly attributable to the acquisition of PCX being partially offset by a reduction in fuel surcharge revenue as well as the negative effects of COVID-19. Specific factors affecting segment revenue were:

- a $5.7 million increase in revenue generated from the acquisition of PCX;
- a decrease of $3.1 million in fuel surcharge revenue to $10.4 million, from the $13.5 million generated in 2019 resulting from the decline in diesel fuel prices; and
- a pronounced decline in freight demand in Alberta.

Direct Operating Expenses

Q4 Direct Operating Expenses – Less-Than-Truckload Three month periods ended December 31 *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**29.1**	**27.0**	28.4	25.3	0.7	2.5
CEWS	**(0.8)**	**(0.7)**	—	—	(0.8)	—
Fuel	**9.6**	**8.9**	12.0	10.7	(2.4)	(20.0)
Repairs and maintenance	**11.4**	**10.6**	11.1	9.9	0.3	2.7
Purchased transportation	**21.0**	**19.5**	24.7	22.0	(3.7)	(15.0)
Operating supplies	**1.9**	**1.8**	1.6	1.4	0.3	18.8
Other	**3.7**	**3.3**	3.3	3.0	0.4	12.1
	75.9	**70.4**	81.1	72.3	(5.2)	(6.4)
Contractors	**5.3**	**62.4**	0.6	31.6	4.7	783.3
Total	**81.2**	**69.8**	81.7	71.5	(0.5)	(0.6)

**as a percentage of respective Less-Than-Truckload revenue*

DOE were $81.2 million as compared to $81.7 million in 2019. This decrease of $0.5 million, or 0.6 percent, was despite the $2.1 million increase in segment revenue due to the following key factors:

- a $3.7 million reduction in purchased transportation;
- a $2.4 million reduction in fuel expense due to lower fuel prices; and
- the offsetting benefit of $0.8 million contribution from CEWS.

As a percentage of revenue these expenses decreased by 1.7 percent to 69.8 percent as compared to 71.5 percent in 2019 due to cost controls and efficiency gains. Adjusted for CEWS, these expenses decreased by 1.0 percent as a percentage of revenue to 70.5 percent as compared to 71.5 percent in 2019.

DOE associated with Company Equipment decreased by $5.2 million, or 6.4 percent, to $75.9 million as compared to $81.1 million in 2019. This decrease was generally in line with the $4.4 million, or 3.9 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 1.9 percent to 70.4 percent as compared to 72.3 percent in 2019, primarily due to lower fuel costs. Fuel expense was reduced to 8.9 percent as a percentage of Company revenue as compared 10.7 percent in 2019.

Contractors expense increased by $4.7 million to $5.3 million as compared to $0.6 million in 2019. This increase was directly related to the $6.6 million increase in Contractors revenue, primarily due to the nature of PCX's asset-light operations.

Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Less-Than-Truckload
Three month periods ended December 31

(unaudited) ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**10.4**	**8.9**	9.9	8.7	0.5	5.1
CEWS	**(0.3)**	**(0.2)**	—	—	(0.3)	—
Communications, utilities and general supplies	**4.9**	**4.2**	4.5	3.9	0.4	8.9
Profit share	**0.9**	**0.8**	0.8	0.7	0.1	12.5
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**0.4**	**0.3**	0.6	0.5	(0.2)	(33.3)
Total	**16.3**	**14.0**	15.8	13.8	0.5	3.2

**as a percentage of total Less-Than-Truckload revenue*

S&A expenses increased by $0.5 million to $16.3 million as compared to $15.8 million in 2019, primarily due to the $1.1 million of incremental S&A expenses associated with the acquisition of PCX. S&A expenses as a percentage of segment revenue increased by 0.2 percent to 14.0 percent as compared to 13.8 percent in 2019. Adjusted for CEWS, S&A expenses as a percentage of segment revenue were 14.3 percent.

Operating Income Before Depreciation and Amortization

OIBDA increased by $2.1 million, or 12.6 percent, to $18.8 million as compared to $16.7 million in 2019. The increase in OIBDA was due to lower fuel costs, $0.9 million of incremental OIBDA generated by PCX and CEWS. Operating margin[1] increased to 16.2 percent as compared to 14.6 percent in 2019. Adjusted for CEWS, operating margin[1] improved to 15.2 percent.

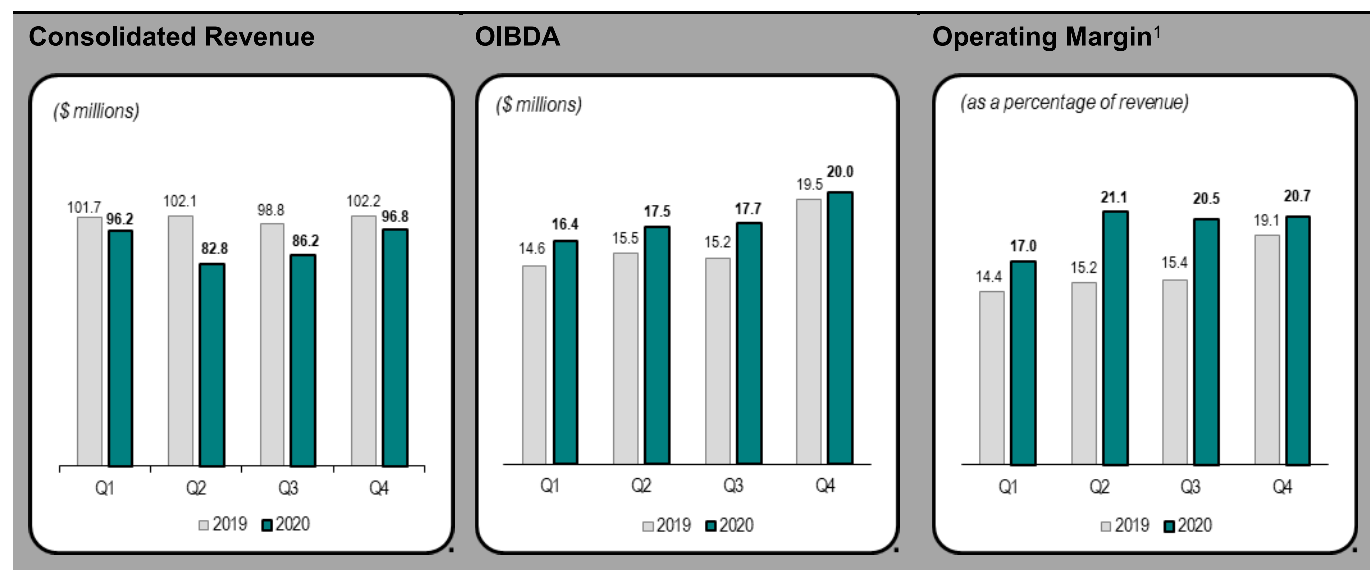
Capital Expenditures

Net capital expenditures[1] were $10.2 million in the fourth quarter, an increase of $2.5 million as compared to $7.7 million in 2019. The Less-Than-Truckload segment had gross capital expenditures of $10.5 million and dispositions of $0.3 million for net capital expenditures[1] of $10.2 million in 2020. The majority of the capital invested in the fourth quarter of 2020 consisted of trucks and trailers to support growth opportunities as well as replace some older less efficient equipment. In 2019 gross capital expenditures were $8.0 million and dispositions were $0.3 million for net capital expenditures[1] of $7.7 million.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

LOGISTICS & WAREHOUSING SEGMENT

Summary – Trailing Eight Quarters



Revenue

Q4 Revenue – Logistics & Warehousing Three month periods ended December 31 *(unaudited)* *($ millions)*	2020		2019		Change	
	$	%	$	%	$	%
Company	**42.9**	**44.3**	43.0	42.1	(0.1)	(0.2)
Contractors	**53.8**	**55.6**	59.0	57.7	(5.2)	(8.8)
Other	**0.1**	**0.1**	0.2	0.2	(0.1)	(50.0)
Total	**96.8**	**100.0**	102.2	100.0	(5.4)	(5.3)

Segment revenue fell by $5.4 million, or 5.3 percent, to $96.8 million as compared to $102.2 million in 2019 and represented 32.5 percent of pre-consolidated revenue as compared to 32.3 percent in 2019. Segment revenue decreased as a result of the effects of COVID-19. This negatively impacted both freight volumes and spot prices. Further, fuel surcharge revenue declined by $2.4 million to $4.3 million as compared to $6.6 million in 2019 due to lower diesel fuel prices.

Revenue related to Company Equipment decreased by $0.1 million, or 0.2 percent, to $42.9 million as compared to $43.0 million in 2019 and represented 44.3 percent of segment revenue in the current period as compared to 42.1 percent in 2019. Revenue related to Contractors decreased by $5.2 million, or 8.8 percent, to $53.8 million as compared to $59.0 million in 2019 and represented 55.6 percent of segment revenue in the current period as compared to 57.7 percent in 2019.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Direct Operating Expenses

Q4 Direct Operating Expenses – Logistics & Warehousing **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**9.0**	**21.0**	9.1	21.2	(0.1)	(1.1)
CEWS	**(0.7)**	**(1.7)**	—	—	(0.7)	—
Fuel	**2.4**	**5.6**	3.1	7.2	(0.7)	(22.6)
Repairs and maintenance	**4.9**	**11.4**	4.9	11.4	—	—
Purchased transportation	**1.4**	**3.3**	1.3	3.0	0.1	7.7
Operating supplies	**7.9**	**18.4**	8.2	19.1	(0.3)	(3.7)
Other	**0.9**	**2.1**	1.0	2.3	(0.1)	(10.0)
	25.8	**60.1**	27.6	64.2	(1.8)	(6.5)
Contractors	**40.4**	**75.1**	43.8	74.2	(3.4)	(7.8)
Total	**66.2**	**68.4**	71.4	69.9	(5.2)	(7.3)

**as a percentage of respective Logistics & Warehousing revenue*

DOE were $66.2 million as compared to $71.4 million in 2019. This decrease of $5.2 million, or 7.3 percent, was due to the following key factors:

- a $5.4 million decrease in segment revenue;
- a $3.4 million decrease in Contractors expense;
- a $0.7 million reduction in fuel expense due to lower fuel prices; and
- the offsetting benefit of $0.7 million contribution from CEWS.

As a percentage of revenue, DOE decreased by 1.5 percent to 68.4 percent as compared to 69.9 percent in 2019 due to cost controls and efficiency gains. Adjusted for CEWS, these expenses decreased by 0.8 percent as a percentage of revenue to 69.1 percent.

DOE associated with Company Equipment decreased by $1.8 million, or 6.5 percent, to $25.8 million as compared to $27.6 million in 2019. This decrease, once adjusted for CEWS, was generally in line with the $0.1 million decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 4.1 percent to 60.1 percent as compared to 64.2 percent in 2019, due to lower fuel costs. Fuel expense was reduced to 5.6 percent as a percentage of Company revenue as compared to 7.2 percent in 2019.

Contractors expense decreased by $3.4 million to $40.4 million as compared to $43.8 million in 2019. This decrease was generally in line with the $5.2 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.9 percent to 75.1 percent as compared to 74.2 percent in 2019 due to the lack of availability of subcontractors in certain markets.

Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Logistics & Warehousing Three month periods ended December 31 *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**6.8**	**7.0**	6.7	6.6	0.1	1.5
CEWS	**(0.4)**	**(0.4)**	—	—	(0.4)	—
Communications, utilities and general supplies	**2.3**	**2.4**	2.7	2.6	(0.4)	(14.8)
Profit share	**1.4**	**1.4**	1.5	1.5	(0.1)	(6.7)
Foreign exchange	**0.3**	**0.3**	0.1	0.1	0.2	200.0
Rent and other	**0.2**	**0.3**	0.3	0.3	(0.1)	(33.3)
Total	**10.6**	**11.0**	11.3	11.1	(0.7)	(6.2)

**as a percentage of total Logistics & Warehousing revenue*

S&A expenses were $10.6 million as compared to $11.3 million in 2019. The decrease of $0.7 million was primarily due to cost control initiatives being partially offset by the $0.2 million negative variance in foreign exchange. S&A expenses as a percentage of segment revenue declined by 0.1 percent to 11.0 percent as compared to 11.1 percent in 2019. Adjusted for CEWS and foreign exchange, S&A expenses as a percentage of segment revenue was fairly consistent at 11.1 percent as compared to 11.0 percent in 2019.

Operating Income Before Depreciation and Amortization

OIBDA increased by $0.5 million, or 2.6 percent, to $20.0 million as compared to $19.5 million generated in 2019. The majority of this rise in OIBDA was due to $1.1 million of CEWS being partially offset by higher Contractors expense and the negative variance in foreign exchange. Operating margin[1] increased by 1.6 percent to 20.7 percent as compared to 19.1 percent in 2019. Adjusted for CEWS and foreign exchange, operating margin[1] was consistent at 19.8 percent as compared to 19.2 percent in 2019.

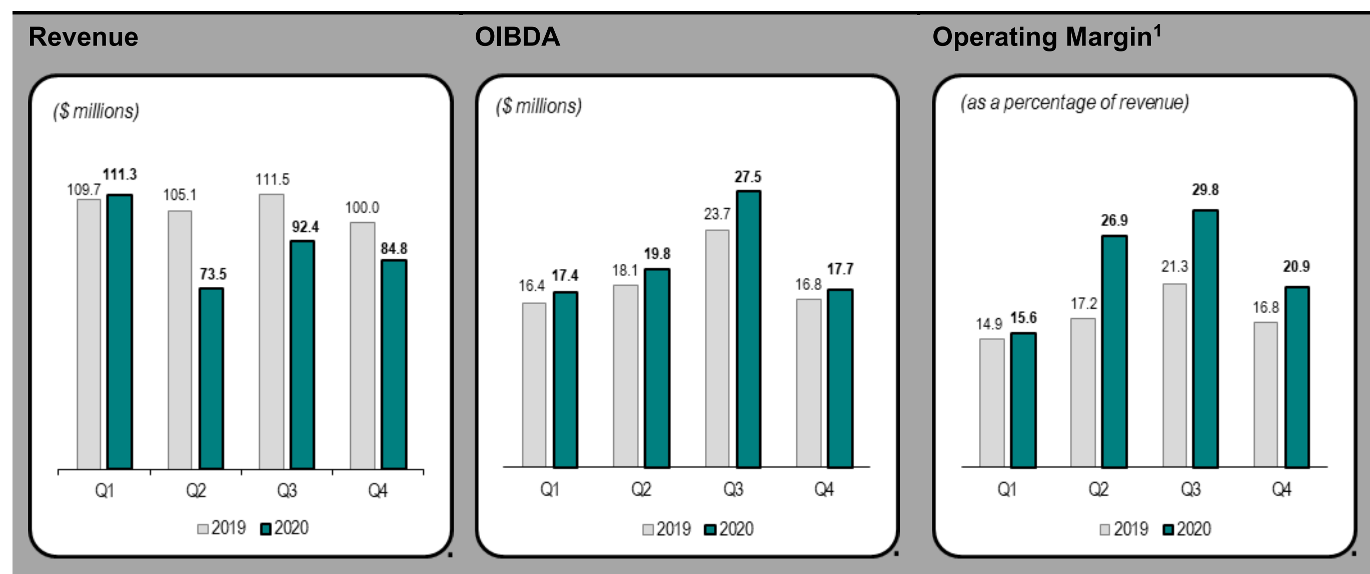
Capital Expenditures

Net capital expenditures[1] were $(0.6) million in the fourth quarter, a decrease of $3.7 million as compared to $3.1 million in 2019. The Logistics & Warehousing segment had gross capital expenditures of $0.5 million and dispositions of $1.1 million for net capital expenditures[1] of $(0.6) million in 2020. The majority of the capital was invested to purchase trucks, trailers and various pieces of operating equipment and to replace some older less efficient equipment. In 2019 gross capital expenditures were $3.7 million and dispositions were $0.6 million for net capital expenditures[1] of $3.1 million.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

SPECIALIZED & INDUSTRIAL SERVICES SEGMENT

Summary – Trailing Eight Quarters



Revenue

Q4 Revenue – Specialized & Industrial Services *(unaudited)* *($ millions)*	**2020**		**2019**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**67.9**	**80.1**	79.3	79.3	(11.4)	(14.4)
Contractors	**16.7**	**19.7**	20.5	20.5	(3.8)	(18.5)
Other	**0.2**	**0.2**	0.2	0.2	—	—
Total	**84.8**	**100.0**	100.0	100.0	(15.2)	(15.2)

Segment revenue declined by $15.2 million, or 15.2 percent, to $84.8 million as compared to $100.0 million in 2019 and represented 28.5 percent of pre-consolidated revenue as compared to 31.6 percent of pre-consolidated revenue in 2019. This decline in revenue was mainly attributable to lower demand for fluid hauling and drilling related services being partially offset by the rise in demand for large diameter pipeline hauling and stringing services. Specific factors affecting the segment revenue were:

- A $9.6 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to the sharp decline in demand as a result of low oil prices.

- A $4.5 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as the demand for most services was severely impacted by the loss of drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**").

- a $1.4 million decrease in revenue generated by those Business Units providing specialized services to the oil sands, environmental, construction, pipeline, utility, telecom and water management industries including a $5.6 million decrease in demand for water management services and pumps at Canadian Dewatering, and hydrovac services. These decreases were partially offset by a $6.2 million increase in pipeline hauling and stringing services revenue.

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Direct Operating Expenses

Q4 Direct Operating Expenses – Specialized & Industrial Services ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**20.2**	**29.7**	21.4	27.0	(1.2)	(5.6)
CEWS	**(2.3)**	**(3.3)**	—	—	(2.3)	—
Fuel	**4.6**	**6.8**	6.9	8.7	(2.3)	(33.3)
Repairs and maintenance	**10.8**	**15.9**	13.4	16.9	(2.6)	(19.4)
Purchased transportation	**1.6**	**2.4**	0.8	1.0	0.8	100.0
Operating supplies	**7.4**	**10.9**	10.2	12.9	(2.8)	(27.5)
Other	**1.9**	**2.7**	2.2	2.7	(0.3)	(13.6)
	44.2	**65.1**	54.9	69.2	(10.7)	(19.5)
Contractors	**14.4**	**86.2**	16.8	82.0	(2.4)	(14.3)
Total	**58.6**	**69.1**	71.7	71.7	(13.1)	(18.3)

**as a percentage of respective Specialized & Industrial Services revenue*

DOE were $58.6 million as compared to $71.7 million in 2019. The decrease of $13.1 million, or 18.3 percent, was directly related to the $15.2 million, or 15.2 percent, decline in segment revenue. As a percentage of revenue these expenses decreased by 2.6 percent to 69.1 percent as compared to 71.7 percent in 2019. Adjusted for CEWS, these expenses increased by 0.1 percent as a percentage of revenue to 71.8 percent as compared to 71.7 percent in 2019.

DOE associated with Company Equipment decreased by $10.7 million, or 19.5 percent, to $44.2 million as compared to $54.9 million in 2019. This decrease, once adjusted for CEWS, was generally in line with the $11.4 million, or 14.4 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 4.1 percent to 65.1 percent as compared to 69.2 percent in 2019, due to lower fuel costs and lower repairs and maintenance expense. Adjusted for CEWS, DOE associated with Company Equipment as a percentage of Company revenue were reduced by 0.7 percent to 68.5 percent.

Contractors expense decreased by $2.4 million to $14.4 million as compared to $16.8 million in 2019. As a percentage of Contractors revenue, Contractors expense increased to 86.2 percent as compared to 82.0 percent due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Specialized & Industrial Services ***(unaudited)*** ***($ millions)***	**2020**		**2019**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**5.0**	**5.9**	6.3	6.3	(1.3)	(20.6)
CEWS	**(0.8)**	**(0.9)**	—	—	(0.8)	—
Communications, utilities and general supplies	**2.8**	**3.3**	3.7	3.7	(0.9)	(24.3)
Profit share	**1.2**	**1.4**	1.1	1.1	0.1	9.1
Foreign exchange	**—**	**—**	—	—	—	—
Rent and other	**0.3**	**0.3**	0.4	0.4	(0.1)	(25.0)
Total	**8.5**	**10.0**	11.5	11.5	(3.0)	(26.1)

**as a percentage of total Specialized & Industrial Services revenue*

S&A expenses decreased by $3.0 million to $8.5 million as compared to $11.5 million in 2019, primarily due to the reduction in wages and benefits expense and other cost control initiatives. S&A expenses as a percentage of segment revenue declined by 1.5 percent to 10.0 percent as compared to 11.5 percent in 2019. Adjusted for CEWS,

S&A expenses as a percentage of revenue were reduced to 11.0 percent due to cost savings initiatives under our COVID-19 Action Plan.

Operating Income Before Depreciation and Amortization

OIBDA increased by $0.9 million, or 5.4 percent, to $17.7 million as compared to $16.8 million in 2019. Operating margin[1] increased to 20.9 percent as compared to 16.8 percent in 2019. The margin gain was due to a change in revenue mix associated with certain large diameter pipeline projects that had a beneficial effect on margin, and CEWS, being largely offset by the significant decline in margin generated by those Business Units most directly tied to drilling related activity. Specifically, the $0.9 million year over year increase in OIBDA can be attributed to the following:

- a $2.0 million increase relating to those Business Units providing specialized services including pipeline stockpiling and stringing services;
- a $0.1 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $1.0 million decrease from those Business Units tied to drilling and drilling related activity.

Capital Expenditures

Net capital expenditures[1] were $(0.7) million in the fourth quarter, which is consistent with the $(0.7) million recorded in 2019. The Specialized & Industrial Services segment had gross capital expenditures of $1.3 million and dispositions of $2.0 million for net capital expenditures[1] of $(0.7) million in 2020. The majority of the capital invested consisted of various pieces of operating equipment to support growth opportunities at Cascade Energy and to replace some equipment at Smook. In 2019 gross capital expenditures were $2.6 million and dispositions were $3.3 million for net capital expenditures[1] of $(0.7) million.

CORPORATE

The Corporate Office recorded a loss of $4.3 million in the fourth quarter of 2020 as compared to a loss of $3.1 million in 2019. The $1.2 million increase in loss was mainly attributable to a $0.9 million negative variance in foreign exchange and from a lower amount of costs recovered from our Business Units. In the fourth quarter of 2020, the Corporate Office recorded a foreign exchange loss of $1.1 million as compared to a foreign exchange loss of $0.2 million in 2019. These increases were somewhat offset by lower stock-based compensation expense.

[The remainder of this page intentionally left blank.]

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

Revenue and profitability within the Less-Than-Truckload segment and the Logistics & Warehousing segment are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within these segments in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions. The Less-Than-Truckload segment and the Logistics & Warehousing segment represents approximately 70.0 percent of our pre-consolidated revenue on an annualized basis. Generally speaking, our third and fourth quarters tend to be the strongest in terms of demand for the services in these segments. As a result, our consolidated revenue is generally higher in these quarters compared to the first and second quarters of the year.

A significant portion of the operations within the Specialized & Industrial Services segment is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and gas, environmental, construction, pipeline, utility, telecom and civil industries, predominantly in western Canada. Activity levels, revenue and earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity peaks in the winter months and declines during the spring when wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unpredictable weather patterns may lead to declines in the activity levels and demand for certain services. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

Financial Results

	TTM[1]	2020				2019			
(unaudited)		**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	Q3	Q2	Q1
($ millions, except per share amounts)	**$**	**$**	**$**	**$**	**$**	**$**	$	$	$
Revenue	**1,164.3**	**297.7**	**290.9**	**257.5**	**318.2**	**314.6**	325.3	319.0	319.6
Operating income before depreciation and amortization	**217.6**	**52.2**	**65.2**	**55.0**	**45.2**	**49.9**	55.6	51.4	44.0
Net income	**64.0**	**10.1**	**26.2**	**23.0**	**4.7**	**8.4**	20.5	31.7	11.6
Earnings per share									
Basic	**0.64**	**0.10**	**0.27**	**0.23**	**0.04**	**0.08**	0.20	0.30	0.11
Diluted	**0.64**	**0.10**	**0.26**	**0.23**	**0.04**	**0.08**	0.20	0.30	0.11
Other Information									
Net foreign exchange (gain) loss	**(2.4)**	**0.1**	**(0.1)**	**(5.2)**	**2.8**	**(2.3)**	(3.9)	(6.8)	(1.1)
Decrease (increase) in fair value of investments	**1.0**	**(0.4)**	**0.1**	**(0.2)**	**1.5**	**(0.3)**	0.3	0.1	(0.1)

(1) TTM represents the "trailing twelve months" and consists of a summary of the Corporation's financial results for the most recently completed four quarters.

Consolidated revenue in the fourth quarter of 2020 decreased by $16.9 million to $297.7 million as compared to $314.6 million in 2019. Revenue generated by the Less-Than-Truckload segment increased by $2.1 million to $116.3 million due to the incremental revenue generated from the acquisition of PCX being somewhat offset by the negative effects of COVID-19 and lower fuel surcharge revenue. Revenue generated by the Logistics & Warehousing segment decreased by $5.4 million to $96.8 million due to COVID-19 resulting in supply chain disruptions, a lack of capital projects, business closures and lower fuel surcharge revenue. Revenue generated by the Specialized & Industrial Services segment decreased by $15.2 million to $84.8 million due to low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline. Net income in the fourth quarter was $10.1 million, an increase of $1.7 million from the $8.4 million of net income generated in 2019. The $1.7 million increase in net income was mainly attributable to a $7.9 million

decrease in depreciation of property, plant and equipment, a $2.3 million increase in OIBDA, and a $0.5 million decrease in amortization of intangible assets. These increases were partially offset by a $4.3 million increase in the loss on sale of property, plant and equipment, a $2.4 million negative variance in net foreign exchange and a $1.0 million increase in income tax expense. As a result, basic earnings per share in the fourth quarter of 2020 was $0.10, an increase of $0.02, from the $0.08 of earnings per share generated in 2019.

Consolidated revenue in the third quarter of 2020 decreased by $34.4 million to $290.9 million as compared to $325.3 million in 2019. Revenue generated by the Less-Than-Truckload segment decreased by $3.2 million to $112.7 million due to the negative effects of COVID-19 and lower fuel surcharge revenue. Revenue generated by the Logistics & Warehousing segment decreased by $12.6 million to $86.2 million due to COVID-19 resulting in supply chain disruptions, a lack of capital projects, business closures and lower fuel surcharge revenue. Revenue generated by the Specialized & Industrial Services segment decreased by $19.1 million to $92.4 million due to extremely low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline and Smook. Net income in the third quarter was $26.2 million, an increase of $5.7 million from the $20.5 million of net income generated in 2019. The $5.7 million increase in net income was mainly attributable to a $9.6 million increase in OIBDA, a $1.3 million increase in the gain on sale of property, plant and equipment, a $1.1 million decrease in amortization of intangible assets and depreciation of property, plant and equipment and a $0.4 million gain on fair value of equity investment. These increases were partially offset by a $3.8 million negative variance in net foreign exchange and a $3.0 million increase in income tax expense. As a result, basic earnings per share in the third quarter of 2020 was $0.27, an increase of $0.07, from the $0.20 of earnings per share generated in 2019.

Consolidated revenue in the second quarter of 2020 decreased by $61.5 million to $257.5 million as compared to $319.0 million in 2019. Revenue generated by the Less-Than-Truckload segment decreased by $10.5 million to $101.9 million due to the negative effects of COVID-19 and lower fuel surcharge revenue being somewhat offset by the incremental revenue generated from the acquisitions of Argus and Inter-Urban. Revenue generated by the Logistics & Warehousing segment decreased by $19.3 million to $82.8 million due to COVID-19 resulting in supply chain disruptions and business closures, and lower fuel surcharge revenue. These decreases were somewhat offset by a strong performance by Kleysen due to greater demand for transload services. Revenue generated by the Specialized & Industrial Services segment decreased by $31.6 million to $73.5 million due to extremely low oil prices, mandated curtailments and a poor drilling environment being moderately offset by improved results from Premay Pipeline and Smook. Net income in the second quarter was $23.0 million, a decrease of $8.7 million from the $31.7 million of net income generated in 2019. The $8.7 million decrease in net income was mainly attributable to a $10.5 million variance in income tax expense, a $1.8 million increase in finance costs and a $1.6 million negative variance in net foreign exchange. These decreases were partially offset by a $3.6 million increase in OIBDA. As a result, basic earnings per share in the second quarter of 2020 was $0.23, a decrease of $0.07, from the $0.30 of earnings per share generated in 2019.

Consolidated revenue in the first quarter of 2020 decreased by $1.4 million to $318.2 million as compared to $319.6 million in 2019. Revenue generated by the Logistics & Warehousing segment decreased by $5.5 million, which was mainly attributable to reduced demand for logistics and trucking services related to government mandated closures during the month of March as well as supply chain disruptions related to rail blockades in January. These decreases were somewhat offset by greater revenue generated by Kleysen, which continued to generate solid results from transload operations and a seasonal increase in industrial salt sales. Revenue generated by the Specialized & Industrial Services segment increased by $1.6 million, which was mainly attributable to greater demand for large diameter pipeline hauling and stringing services as well as revenue increases at Canadian Dewatering and Smook. These increases were somewhat offset by lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells and from those Business Units providing drilling and drilling related services. Revenue generated by the Less-Than-Truckload segment increased by $3.8 million due to revenue gains at Gardewine and the acquisitions of Argus and Inter-Urban. Net income in the first quarter was $4.7 million, a decrease of $6.9 million from the $11.6 million of net income generated in 2019. The $6.9 million decrease in net income was mainly attributable to a $3.9 million negative variance in net foreign exchange, a $2.3 million increase in finance costs, a $1.6 million negative variance in the fair value of investments and a $0.6 million increase in amortization of intangible assets. These decreases were partially offset by a $1.2 million increase in OIBDA, a $0.6 million decrease in the loss on sale of property, plant and equipment and a $0.3 million decrease in income tax expense. As a result, basic earnings per share in the first quarter of 2020 was $0.04, a decrease of $0.07, from the $0.11 of earnings per share generated in 2019.

TRANSACTIONS WITH RELATED PARTIES

Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of the Corporation, including all its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a combination of retainer fees and meeting attendance fees. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and stock-based compensation. Our Executives do not have formal employment contracts. Similar to the employment processes established for employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with the Corporation. There are no agreements or arrangements with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Business Units or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows:

($ millions)	Years Ended December 31			
Category		**2020**		**2019**
Salaries and benefits (including profit share)	**$**	**1.6**	$	1.6
Share-based payments		**—**		0.1
Total	**$**	**1.6**	$	1.7

There are no outstanding amounts owing to or amounts receivable from directors and officers as at December 31, 2020 and 2019, with respect to the overall compensation program for the executives. As at December 31, 2020, directors and officers of Mullen Group collectively held 5,550,064 Common Shares (2019 – 5,505,008) representing 5.7 percent (2019 – 5.3 percent) of all Common Shares of the Corporation. As at December 31, 2020, directors and officers of Mullen Group held $4.9 million of the Debentures under the same terms and conditions as those issued to unrelated third parties. The majority of the Debentures outstanding at December 31, 2020, were held by Murray K. Mullen ($4.4 million). Other than these $4.9 million of Debentures, Mullen Group has no contracts with its key management personnel.

Related Party Transactions

During the year, we generated revenue of $17,418 (2019 – $16,000) and incurred expenses of $934 (2019 – $25,000) with entities that are related by virtue of David E. Mullen, a Board member having control or joint control over the other entities. There was $3,733 of accounts receivable amounts due from these related parties as at December 31, 2020.

During the year, we generated revenue of $3.0 million (2019 – $4.9 million), incurred expenses of $0.5 million (2019 – $0.6 million) and sold $81,309 (2019 – nil) of property, plant and equipment with our equity investees, which are accounted for by the equity method of accounting. As at December 31, 2020, there was $2.9 million (2019 – $11.2 million) of accounts receivable amounts due from our equity investees, including debentures and there was $37,946 of accounts payable amounts due to our equity investees. Mullen Group had $2.7 million (2019 – $7.8 million) of debentures owing from Thrive Management Group Ltd. ("**Thrive**") at an interest rate of 10.0 percent per annum calculated and payable semi-annually that mature in 2021. In 2020, Murray K. Mullen purchased a condominium in Palm Springs, California from the Corporation for $0.4 million resulting in a $0.2 million gain on sale of property, plant and equipment recognized within other (income) expense on the consolidated statement of comprehensive income.

All related party transactions were provided in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and recorded at the exchange amount.

PRINCIPAL RISKS AND UNCERTAINTIES

The nature of both our business and our strategy means that we face a number of inherent risks and uncertainties. We endeavor to manage these risks within the context of our understanding of market trends and our strategic goal of achieving satisfactory shareholder returns.

The operational complexities inherent in our business, together with the highly regulated and competitive environment of the industries in which we operate, leave Mullen Group exposed to a number of risks and uncertainties (collectively the "**risks**"). The transportation business and other related activities are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States and the value of the Canadian dollar as compared to the U.S. dollar. Our Specialized & Industrial Services segment is directly affected by fluctuations in the levels of oil and gas drilling activity, oil sands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including but not limited to world energy prices and government policies.

Many risks, for example, the cyclical and volatile nature of the oil and gas industry, may be mitigated to a certain degree but still remain outside of our control. The Board is responsible for approving our organization's level of risk tolerance and for overseeing the management of the risks the organization faces. Risk oversight guidance is set forth in the Mullen Group Board mandate. We define risk as: "*The possibility that an event, action or circumstance may adversely affect the organization's ability to achieve its business objectives.*" A risk management review process has been formalized to assist in mitigating risk. The risk management review process highlights the significant risks that our business is exposed to, which then leads to mitigation plans. Although we have developed and implemented these mitigation plans to assist in managing these risks, there is no certainty these strategies will be successful in whole or in part. In addition, the inability to identify, assess and respond to known and unknown risks through the risk management review process could lead to, among other things, our inability to capture opportunities, recognize threats and inefficiencies and comply with laws and regulations, all of which may have a material adverse effect on our business or share price.

We believe that the risks described below are the ones that could have the most significant impact on the Corporation. Readers are cautioned that the list of risks is not exhaustive and new information, future events or changing circumstances could affect our operations and financial results, which may reduce or restrict our ability to pay a dividend to our shareholders and may materially affect the market price of our securities. We encourage you to review and carefully consider the risks described below, which may impact or materially adversely affect our business, financial condition, results of operations, cash flows or prospects. In turn, this could have a material adverse effect on the trading price of our Common Shares and Debentures. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also adversely affect our business and operations.

The most significant risks identified by Mullen Group are categorized and described as follows:

STRATEGIC RISKS:

- geopolitical risks
  - general economy
  - natural gas and oil drilling and oil sands development
  - changes in the legal framework
- e-commerce and supply chain evolution
- acquisitions
- competition

FINANCIAL RISKS:

- foreign exchange rates
- investments
- access to financing
- reliance on major customers
- impairment of goodwill or intangible assets
- credit risk
- interest rates

OPERATIONAL RISKS:

- employees & labour relations
- cost escalation & fuel costs
- potential operating risks & insurance
- digital infrastructure & cyber security
- business continuity, disaster recovery & crisis management
- environmental liability risks
- weather & seasonality
- access to parts, development of new technology & relationships with key suppliers
- regulation
- litigation

STRATEGIC RISKS:

Geopolitical Risks:

Geopolitical risk is viewed as the major strategic risk to our organization impacting everything from the general economy to oil and gas development in western Canada. Political shocks and surprises of the past few years show how easily assumptions about rational markets, legal certainty, international relations and trade can be shaken. In our view, geopolitical volatility has become a key driver of uncertainty, and will remain one over the next few years.

Risk Description & Trend

Geopolitical risk is the risk associated with legislative, judicial, political, economic and regulatory uncertainty. For instance, unexpected events can cause a spike in commodity prices or an unexpected change in trade patterns or currency valuations.

Trend: In the recent past, the rise of populism, the repudiation of existing economic and political systems, global trade tensions and certain judicial decisions have created uncertainty that have negatively impacted investment sentiment in Canada and in the oil and gas sector specifically.

Potential Impact

There are a variety of decisions that various levels of government and the judiciary can make that can negatively affect individual businesses, industries and the overall economy. These include, but not limited to, regulatory approvals, currency valuation, trade tariffs, labour laws, taxes and carbon pricing, environmental and other regulations. More specifically, we identify geopolitical risks may impact the following strategic risks:

- General economy
- Natural gas and oil drilling and oil sands development
- Changes in legal framework

Mitigation

In consideration of this risk, we strive to be flexible and resilient, monitor risks proactively, and have adopted a diversification strategy. We service an extensive customer base from diverse industries covering a broad geographic area. In addition, we actively manage the mix of Company Equipment and Contractors we use to service our customers. In our opinion, these diversification and operating strategies ensure, as much as possible, that we are not overly exposed to any single economic trend.

Geopolitical Risks – General Economy:

Our results are affected by the state of the economy and trade patterns and the associated demand for freight transportation and logistics services. These general economic factors, as well as instability in financial and credit markets or lockdown measures and government restrictions, which are beyond our control, could adversely affect our business, financial condition, results of operations and cash flows.

Risk Description & Trend

Mullen Group is a significant provider of trucking and logistics services to customers throughout North America. Our results are affected by the state of the economy and trade patterns, both in North America and globally, and the associated demand for freight transportation and logistics services. Trade disruptions may pose a substantial risk to Mullen Group.

Trend: Canada, the United States and other world economies experienced a significant decline in economic activity in 2020 due to COVID-19. The outbreak prompted governments to impose strict containment measures including travel restrictions, lockdowns and curfews. These measures impeded the economy and resulted in an unprecedented sharp decline in economic activity in the spring of 2020. After an initial recovery, the months-long slow recovery was initiated. The prospects of wide vaccination programs in 2021 has improved the outlook for growth in the medium term, however, until COVID-19 is under control and government restrictions are no longer required, a full recovery will remain elusive and the economic recovery will likely remain choppy and uneven for the foreseeable future. As such unemployment in North America will remain elevated, particularly for workers in non-essential high-contact service industries, and growth will remain constrained. Over the medium term, consumption is expected to gain momentum as more people are vaccinated and employment rises.

Potential Impact

General economic activity is the main driver of demand levels for our Less-Than-Truckload and Logistics & Warehousing segments. Uncertainty with regard to the health of the North American economy or trade patterns could have a material adverse effect on the operations of our Less-Than-Truckload and Logistics & Warehousing segments and, to a lesser degree, our Specialized & Industrial Services segment (to the extent that the economy affects commodity pricing with respect to oil and gas, in particular), and our overall financial condition.

An economic recession may result in a decrease or substantial reduction in revenue as a result of:

- lower overall freight levels, which negatively affects our asset utilization and margin;
- customers bidding out freight or selecting competitors that offer lower rates, in an attempt to lower their costs, forcing us to lower our rates or lose freight; and
- customers with credit issues and cash flow problems.

Mitigation

In consideration of this risk, we service an extensive customer base from diverse industries covering a broad geographic area. In addition, we actively manage the mix of Company Equipment and Contractors we use to service our customers. During periods of peak demand, we tend to use a higher volume of Contractors, which yield lower margins, but protects us from the downside risk and fixed costs associated with a larger fleet of Company Equipment during periods of lower demand. In addition, it has been recognized that transportation and supply chain management is an essential service. Further, we have been able to adapt to the changes in consumer spending patterns and the evolution and prominence of e-commerce purchases and supply chain change. In our opinion, these diversification and operating strategies ensure, as much as possible, that we are not overly exposed to any single economic trend.

Geopolitical Risk – Natural Gas and Oil Drilling and Oil Sands Development:

As a service provider to the oil and gas industry we are reliant on the levels of capital expenditures made by oil sands, oil and gas producers. Our results may be affected by the level of capital expenditures in the WCSB, including investments in natural gas and both for conventional and unconventional oil and oil sands development. Pipeline approvals and natural gas export facilities are critical to the future development of Canada's natural gas and oil resource development.

Risk Description & Trend

Approximately one-fifth of our revenue is directly related to oil and gas drilling activity and oil sands development in western Canada. As a service provider to the oil and gas industries we are reliant on the levels of capital expenditures made by oil and gas exploration and production companies ("**E&Ps**"). In our experience, the level of capital investment made by E&Ps is based on several factors including, but not limited to:

- net hydrocarbon prices and the related impacts of fluctuating light/heavy and sweet/sour crude oil differentials;
- market access and long-term takeaway capacity, including pipeline and rail infrastructure;
- anticipated and actual aggregate production levels;
- access to capital;
- regulatory and stakeholder approvals for exploration and development activities;
- changes in demand for refinery feedstock;
- fuel conservation measures, long-term demand for fossil fuels, the evolution of electric vehicles ("**EV**") and alternative forms of transportation;
- changes to royalty and tax legislation;
- aboriginal claims or protests; and
- environmental regulations and approvals.

Negative public perception of oil sands, conventional oil and natural gas development, pipelines, hydraulic fracturing and fossil fuels generally may further impede industry growth in the WCSB. Operators and producers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect these assessments. There can be no certainty that investments will be made by E&Ps, or that approvals for infrastructure or export facilities by regulators or the judiciary will be forthcoming. Market access and long-term takeaway capacity are critical factors to western Canadian oil production growth. Further, the development of LNG export facilities and pipeline infrastructure are critical to the future development of Canada's natural gas sector.

In addition, a change in this regulatory regime may impact our customers and our operations. Climate change regulations and carbon taxes may lead to project delays and additional costs to producers affecting both their profitability and their investments in oil, oil sands and natural gas. Given the evolving nature of the debate related to climate change, it is not currently possible to predict the nature of, or the impact on, our operations and future financial condition, however, it seems unlikely that major oil sands expansion, as seen in the recent past, will be forthcoming.

Further, the industry may become subject to new environmental regulations, which could negatively affect future capital expenditures. In addition to Green House Gas ("**GHG**") emissions regulations, oil sands producers are subject to tailings management regulations, which may become more stringent and require additional capital in order to satisfy. To date, regulations relating to tailings management, such as the Alberta Government's Directive 74, have had no demonstrable or quantifiable negative effect on our business.

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons.

<u>Trend:</u> COVID-19 caused an unprecedented and rapid decline in demand for oil that resulted in a brisk decline in oil prices in the spring of 2020. Declines in drilling activity and supply management by OPEC+ resulted in a recovery in prices by year end. Oil prices are expected to remain at or near recent levels, however, much economic uncertainty and downside risks remain. As such, Canadian E&Ps capital expenditures were reduced in 2020, which negatively affected Mullen Group. In 2021 investment in the oil and gas industry in western Canada is expected to remain constrained. In the medium term, the LNG Canada project in Kitimat, British Columbia may eventually boost E&Ps' capital expenditures and add roughly 1.7 bcf/d of export capacity.

Potential Impact

As a service provider to this sector, we are directly impacted by and reliant on the level of capital and operational expenditures. Another sudden decline as experienced in 2020 or a more prolonged decline of oil and/or natural gas prices will have a negative impact on drilling activity and oil sands maintenance as well as further oil sands development that would negatively affect the operations in our Specialized & Industrial Services segment as well as our overall financial condition. Conversely, a resurgence of oil and/or natural gas prices should have a positive impact on the operations in our Specialized & Industrial Services segment as well as our overall financial condition.

Ultimately, the prices of our services are subject to aggregate industry demand and the availability of service equipment and qualified personnel. In addition, the long-term impact of changing demand for oil and gas products could have a material adverse effect on our business, results of operations and financial condition.

Mitigation

In consideration of this risk and potential uncertainty we endeavour to ensure that our capital allocation, costs and pricing are appropriate for the anticipated level of oil sands, oil and natural gas development. In addition, we recognize the cyclical and volatile nature of drilling activity and mitigate the risks associated with this volatility as reasonably possible through the combination of a disciplined capital allocation process and a focus on maintaining long-term relationships with large-cap oil and gas companies. We also continually assess the requirements for further investments in our Specialized & Industrial Services segment and have diversified our operations by further investing in the more stable Less-Than-Truckload segment to further mitigate this risk.

Geopolitical Risk – Changes in the Legal Framework:

We may be adversely affected by changes to existing laws and regulations, trade agreements, change in the permitting process as it relates to oil and natural gas infrastructure projects and subsequent court challenges.

Risk Description:

Our operations are subject to a variety of federal, provincial and local laws, regulations and guidelines and income tax laws ("**Regulations**"). In addition, the operations of Mullen Group may be affected by international trade agreements and the ability to seamlessly cross international borders.

Our customers in the oil and gas sector are subject to various Regulations such as royalties, environmental regulations and the reduction of GHG emissions. In addition, before proceeding with most major projects, including the building of a pipeline, an LNG export facility or significant changes to an existing oil sands plant, E&Ps must obtain various federal, provincial, state and municipal permits and regulatory approvals. These permits may be challenged and subject to denial or the imposition of further conditions by the judiciary.

Potential Impact

There can be no assurance that such Regulations, including those relating to the oil and gas industry and the transportation industry, as well as environmental and otherwise applicable operating legislation will not be changed in a manner that adversely affects our organization. Any such change could have a material adverse effect on our business, results of operations and financial condition. Our customers are similarly subject to Regulations and there can be no assurance that the Regulations governing our customers will not be changed in a manner that adversely affects them and, thereby, Mullen Group.

Mitigation

The diversity of our Business Units and our decentralized business model may diminish the effect that a change in the legal framework could have on Mullen Group as a whole. This diversification strategy has resulted in investment in several sectors of the economy, most notably in transportation and logistics and oilfield services, as well as in many geographic regions. We monitor proposed legislative changes and participate with various industry associations in advocating for reasonable and non-disruptive regulatory changes.

E-Commerce and Supply Chain Evolution:

Our results may be affected by disruptive technologies and supply chain innovations. Technology continues to evolve at a rapid pace, which has the potential to impact everything, including how markets conduct transactions as well as how we manage our business. As the retail marketplace continues to evolve, digital technology is disrupting traditional operations. The impact on supply chain management is particularly great as businesses reinvent their supply chain strategies.

Risk Description & Trend

Disruptive technologies continue to change the structure of the North American economy due to the continuous growth of e-commerce. The use of web based and mobile technology is increasingly becoming the preferred method by consumers and retailers to both shop for and ship orders. As a result, supply chains have undergone enormous change with more frequent direct to consumer shipments replacing transportation from distribution centers to traditional retail stores. In addition, our organization is reliant on certain Information Technology ("**IT**") systems (see Digital Infrastructure and Cyber Security on page 75).

Trend: Containment measures implemented by governments caused an acceleration in e-commerce sales. E-commerce sales in Canada peaked at 16.0 percent of total retail sales as compared to 6.0 percent of total retail sales in 2019. This resulted in greater demand for LTL transportation and home delivery options.

Potential Impact

E-commerce and omni-channel marketing requires a different distribution model than traditional retail or big-box store logistics. Generally, it is negatively affecting demand for truckload and long-haul transportation services, however, it is creating greater demand for warehousing as well as LTL and small package Final Mile™ deliveries.

The added complexity of e-commerce and the change in the supply chain presents an opportunity to expand our logistics revenue.

Mitigation

In consideration of this risk, we have expanded our LTL and warehousing network in western Canada and continue to focus on supply chain efficiencies. Our ability to meet customer demands in respect of e-commerce and supply management will depend upon innovation and our ability to reasonably anticipate market trends and change management execution. We continue to focus on technology, invest in hybrid courier vehicles and our logistics Haulistic™ app and Moveitonline® marketplace.

Acquisitions:

Our company strategy includes pursuing selected and strategic acquisitions focused primarily on the segments of the economy where we have strong market penetration and customer relationships, however, we may not be able to execute or integrate future acquisitions successfully.

Risk Description & Trend

Historically, a key component of our growth strategy has been to pursue acquisitions of strategic and/or complementary businesses. We continually evaluate acquisition candidates and may acquire assets and businesses that we believe complement our existing businesses or enhance our service offerings.

The processes of evaluating acquisitions and performing due diligence procedures include risks. Further, we face competition from both peer group and non-peer group firms for acquisition opportunities. This external competition may hinder our ability to identify and/or consummate future acquisitions successfully. If the prices sought by sellers of these potential acquisitions were to rise or otherwise be deemed unacceptable, we may find fewer suitable acquisition opportunities.

Achieving the benefits of acquisitions will depend, in part, on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. In addition, non-core assets may be periodically disposed of so that we can focus our efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could realize a price less than their carrying value resulting in a loss on disposal.

Trend: Opportunities for acquisitions continue. In 2020 we successfully acquired two new businesses for total consideration of $20.2 million as compared to three new businesses in 2019 for total consideration of $21.5 million[1].

Potential Impact

Entities that are acquired may not increase our OIBDA or yield other anticipated benefits. The possible difficulties of integration include, among others:

- we may be unable to retain customers or key employees including drivers and Contractors;
- the business may not achieve anticipated revenue, earnings, or cash flows;
- we may be unable to integrate successfully and realize the anticipated economic, operational, and other benefits in a timely manner, which could result in substantial costs and delays;
- we may have limited experience in the acquiree's market and may experience difficulties operating in its market;
- we may assume liabilities beyond our estimates or what was disclosed to us;
- the acquisition could disrupt our ongoing business, distract our management, and divert our resources; and
- we may incur indebtedness or issue additional Common Shares.

The risks involved in successful integration could be heightened if we were to complete a large acquisition or multiple acquisitions within a short period of time.

If any one, or a combination, of the described possibilities results in our failure to execute our acquisition strategy successfully in the future, it could limit our ability to continue to grow in terms of revenue, OIBDA and cash flow. In addition, there is a risk of impairment of acquired goodwill and intangible assets. This risk of impairment to goodwill and intangible assets exists because the assumptions used in the initial valuation of these assets, such as interest rate or forecasted cash flows, may change when testing for impairment is required.

Mitigation

In consideration of the risk relating to identifying and realizing the benefits of acquisitions and disposals, we endeavour to create a balanced and diverse portfolio in our operating segments by using considerable experience and the financial modeling to assess potential targets for, among other things, potential synergies, financial returns, cultural fit and integration.

In addition, we manage our cash flows diligently and maintain our capital allocation disciplines to ensure that we maintain what we believe is a suitable level of liquidity and leverage.

There is no assurance that we will be successful in identifying, negotiating, consummating or integrating any future acquisitions. If the Corporation does not make any future acquisitions, our growth rate could be materially and adversely affected.

[1] Includes the repayment of shareholders' loans.

Competition:

We operate in a highly competitive industry, and certain market segments have mature characteristics and face commoditization. Our business could suffer if we are unable to adequately address downward pricing pressures and other factors that could adversely affect our profitability.

Risk Description & Trend

Our various Business Units operate in highly competitive and fragmented industries with low barriers to entry, especially within the trucking industry. We compete with several large companies both in the transportation and energy services industries that may have greater financial and other resources. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of services that we compete for or that new competitors will not enter our various markets.

Trend: North American freight volumes and economic growth deteriorated during 2020, however, economic activity and freight volumes began to recover after the initial COVID-19 shock. This recovery allowed volumes and freight rates in the spot market to recover. Contract rates in the Less-Than-Truckload segment generally increased at the rate of inflation. Due to continued containment measures by all levels of government, we expect the economy to continue to experience short-term interruptions. As such, there is no certainty that freight rates will continue to improve in 2021.

Potential Impact

Numerous competitive factors could impair our ability to maintain or improve our profitability. These factors include but are not limited to the following:

- Many of our competitors periodically reduce their rates to gain business, especially during times of reduced oilfield activity or economic recessions. This may make it difficult for us to maintain or increase rates, or may require us to reduce our rates, or lose business. Additionally, it may limit our ability to maintain or expand our business.
- Competition from logistics and brokerage companies may negatively impact our customer relationships and rates.
- Higher prices and higher fuel surcharges to our customers may cause some of our customers to consider alternatives, including deciding to transport more of their own product with their own assets or substituting trucking for rail transportation.
- Many customers periodically solicit bids from multiple providers for their transportation needs, which may depress freight rates or result in a loss of business to competitors.

Mitigation

In consideration of this risk we endeavour to use technological change and innovation to remain competitive in our various businesses. Furthermore, the diversity of our Business Units and our decentralized business model may diminish the effect that new competitive forces might have on our organization. In addition, we believe that our Human Resources strategies enable us to retain and attract drivers or qualified Contractors thereby enabling us to service our clients through all business cycles.

In certain aspects of our business, we believe we have competitive advantages such as lower overhead costs and specialized regional strengths including a robust network of LTL terminals.

In addition, from time to time, we acquire competing, complementary or new business lines, which allows us to consolidate a market we serve, expand our geographic footprint or expand our service offerings thereby lessening the effects of competition.

[The remainder of this page intentionally left blank.]

FINANCIAL RISKS

Foreign Exchange Rates:

Our consolidated financial statements are presented in Canadian dollars, however, a portion of our revenue is derived in U.S. dollars and a portion of our debt is denominated in U.S. currency.

Risk Description & Trend

Mullen Group has foreign exchange risk relating to the relative value of the Canadian dollar vis-à-vis the U.S. dollar. A stronger Canadian dollar is beneficial as it results in a foreign exchange gain on our U.S. dollar debt recognized on our consolidated income statement, as well as an equivalent reduction in the carrying value of such debt on the balance sheet. However, a stronger Canadian dollar also has the potential to reduce the level of Canadian exports thereby potentially negatively affecting the results of operations in the Less-Than-Truckload and Logistics & Warehousing segments. Conversely, a weakening Canadian dollar results in a foreign exchange loss and an equivalent increase in the carrying value related to the U.S. dollar debt. A weaker Canadian dollar has the potential to increase the level of Canadian exports and thereby potentially positively affect the results of operations in the Less-Than-Truckload and Logistics & Warehousing segments. In addition, many of our parts and equipment are built in the U.S. and priced in U.S. dollars. A decrease in the relative value of the Canadian dollar vis-à-vis the U.S. dollar increases the costs of these parts and equipment.

Trend: Foreign exchange rates between the U.S. and Canadian dollar remain volatile. During 2020 the exchange rate fluctuated between $0.6898 and $0.7863 closing the year at $0.7849 as compared to $0.7699 at December 31, 2019.

Potential Impact

At the end of each reporting period we recognize foreign exchange gains or losses as they relate to financial contracts, assets and liabilities held in foreign currencies. This risk mainly arises from our U.S. $229.0 million of Senior Guaranteed Unsecured Notes ("**U.S. Notes**"). Specifically, our U.S. Notes are comprised of Series G (U.S. $117.0 million) and Series H (U.S. $112.0 million) Notes that mature in 2024 and 2026, respectively.

At December 31, 2020, we also had U.S. dollar cash of $24.2 million, U.S. dollar trade receivables of $6.8 million and U.S. dollar trade payables and accrued liabilities of $2.0 million.

Mitigation

We have mitigated a significant portion of the foreign exchange risk by entering into the Cross-Currency Swaps to convert the principal portion of the Series G and Series H Notes into a Canadian currency equivalent of $129.2 million and $124.9 million, respectively.

We are also exposed to foreign exchange risk related to approximately U.S. $8.9 million of annual interest payable on our U.S. Notes. This risk is partially offset by the fact that our business generates surplus U.S. funds in our operations, predominately within the Logistics & Warehousing segment. This surplus U.S. dollar cash being generated acts as a natural hedge as it is used to repay our annual interest obligation on the U.S. Notes.

Investments:

Mullen Group invests in both private and public companies. The value of these investments fluctuate.

Risk Description & Trend

Mullen Group invests in both private and public companies. Fair values of public company investments are based on quoted prices in active markets. There is a risk that the value of an investment may fluctuate as a result of changes in market conditions, whether those changes are caused by factors specific to the individual investment, classes of investments or factors affecting all investments traded in the market. As such, there is a risk that a portion of the original investment may be lost.

Trend: In 2020 we recorded a decrease in the fair value of investments of $1.0 million. In 2019 we sold $0.7 million of investments.

Potential Impact

Our investments in public companies are measured at fair value and have an initial cost of $11.5 million. At December 31, 2020, the fair value of these investments was $1.2 million.

We use the equity method to account for investments in private companies in which we have significant influence or joint control. At December 31, 2020, the carrying value of these investments totalled $34.6 million and consisted of the investments in Canol Oilfield Services Inc., Kriska Transportation Group Limited, Cordova Oilfield Services Ltd., Butler Ridge Energy Services (2011) Ltd. and Thrive.

The timing of future dispositions and the realized share price are uncertain. There is no assurance that the Corporation will realize any benefits from its investment portfolio.

Mitigation

We accept a certain amount of risk and consider the underlying risk and possible market volatility of our investments. We strive to mitigate this risk by investing in areas that we have industry knowledge and expertise and we invest for the long-term. Risk capital is limited to a level that is deemed acceptable to Mullen Group.

Access to Financing:

We may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to fund acquisitions.

Risk Description & Trend

We may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to fund acquisitions. There can be no assurance that additional financing will be available when needed or on acceptable terms, which could limit our growth and could have a material adverse effect on our business, results of operations and financial condition. In addition, we have certain financial and other covenants under our Private Placement Debt that are customary for financings of this type including, but not limited to, a maximum leverage ratio and a minimum interest coverage ratio. A breach of a covenant and failure to obtain appropriate amendments to or waivers under the applicable financing arrangement may cause our borrowings under such facilities to be immediately declared due and payable.

Trend: At December 31, 2020, our debt covenant leverage ratio was 2.10:1 as compared to 2.30:1 in 2019.

Potential Impact

We may need to incur additional debt, or issue debt or equity securities in the future. We could face constraints on generating sufficient cash from operations, obtaining sufficient financing on favorable terms, or maintaining compliance with financial and other covenants in our financing agreements.

If any of these events occur, then we may face liquidity constraints and it may impair our future ability to secure financing on satisfactory terms, or at all. A liquidity constraint may impair Mullen Group's ability to continue as a going concern. Although we expect that we will be able to obtain additional financing when needed, in the amounts required and on acceptable terms there is no assurance that such would occur.

Mitigation

We manage our cash flows diligently to ensure that we maintain what we believe is a suitable level of liquidity and leverage. Our approach to managing liquidity is to ensure, to the extent possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions. Consistent with others in the industry, we monitor capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by shareholders' equity. Total debt is calculated as the total of: current portion of long-term debt, long-term debt, lease liabilities and the debt component of Debentures. Equity is comprised of share capital, convertible debentures – equity component, contributed surplus and retained earnings. The debt-to-equity ratio calculation at December 31, 2020, was 0.68:1 (2019 – 0.67:1).

Reliance on Major Customers:

There is an inherent risk that arises to all businesses when economic dependence on a major customer hinders a company's ability to maximize profit.

Risk Description & Trend

Although we do not have a significant customer concentration, the growth of our business could be materially impacted and our results of operations would be adversely affected if we lost all or a portion of the business of some of our large customers because they:

- chose to divert all or a portion of their business with us to one of our competitors;
- demand pricing concessions for our services;
- require us to provide enhanced services that increase our costs; or
- develop their own shipping and distribution capabilities.

Trend: In 2020 our top ten customers accounted for 18.6 percent of revenue (2019 – 16.6 percent), and the largest customer accounted for approximately 2.9 percent (2019 – 3.0 percent) of such revenue.

Potential Impact

The loss of one or more major customers, any significant decrease in services provided, decreases in rates charged, or any other changes to the terms of service with customers, could have a material adverse effect on our business, results of operations and financial condition. Furthermore, a concentration of revenue with a major customer, or a small group of major customers, may lead to an enhanced ability of those customers to influence pricing and other contract terms, which may have a material adverse effect on our results.

Mitigation

We strive to mitigate this risk through a diversification strategy in an attempt to ensure that our organization does not become reliant on any single customer. Furthermore, we operate a decentralized business model whereby we utilize the expertise of management at each Business Unit to negotiate its own contracts that have pricing and terms that are competitive according to their specific market and/or geographic region.

Impairment of Goodwill or Intangible Assets:

Our total assets include goodwill and intangible assets. If we determine that these assets have become impaired in the future, our net income could be adversely affected.

Risk Description & Trend

There is also a risk of impairment of acquired goodwill and intangible assets. This risk of impairment of goodwill and intangible assets exists because the assumptions used in the initial valuation of these assets, such as the interest rate or forecasted cash flows, may change when testing for impairment is conducted either annually or upon a triggering event.

Trend: At December 31, 2020, our goodwill and intangible assets accounted for $317.2 million, or 18.5 percent of our total assets as compared to $317.2 million, or 18.1 percent of total assets in 2019.

Potential Impact

Our regular review of the carrying value of our goodwill and intangible assets has resulted, from time to time, in significant impairments, and we may in the future be required to recognize additional impairment charges. Such did occur in 2007 when the Federal government implemented changes to the tax regime governing specified investment flow-through ("**SIFT**") entities such as Mullen Group's predecessor Mullen Group Income Fund. In addition, the Alberta Government announced changes to the oil and gas royalty regime in Alberta that impacted many of our customers.

Changes in government regulations, or economic or market conditions have resulted and may result in further substantial impairments of our goodwill or intangible assets. In 2018 Mullen Group recognized a $100.0 million goodwill impairment charge. As at December 31, 2020, we had goodwill of $271.3 million and intangible assets of $45.9 million. Our impairment testing in 2020 produced no indication of impairment. The results of our impairment evaluations, assumptions and sensitivities can be found on page 79.

Mitigation

We strive to mitigate this risk through a disciplined acquisition strategy in an attempt to ensure that our organization does not overpay for entities resulting in overvalued goodwill balances. In addition, we use professional skepticism and advisors to value goodwill and intangible assets values upon acquisition, thereby mitigating the risk of misevaluation of goodwill or intangible assets upon initial recognition.

Credit Risk:

Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from our trade receivables generated from our customers.

Risk Description & Trend

A significant portion of our accounts receivable are with customers involved in the oil and gas industry, whose revenues may be impacted by fluctuations in commodity prices thereby potentially impacting their ability to meet contractual obligations. Although collection of these receivables could be influenced by this and other economic factors affecting the industries we serve, management considers the risk of a significant loss to be remote at this time.

Trend: At December 31, 2020, accounts receivable were $192.5 million comprised of $62.5 million within our Less-Than-Truckload segment, $55.1 million within our Logistics & Warehousing segment, $72.0 million within our Specialized & Industrial Services segment and $2.9 million within the Corporate Office.

Potential Impact

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. Economic conditions and capital markets may adversely affect our customers and their ability to remain solvent. We transport a wide variety of freight for a broad customer base that spans numerous industries. The financial failure of a customer may impair our ability to collect on all or a portion of the accounts receivable balance. In addition, we have counter-party risk with our Derivatives and other financial assets.

Mitigation

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units' review consists of external ratings, when available, and in some cases bank and trade references. Our Corporate Office has established a credit policy under which new customers are analyzed for creditworthiness before credit is extended. Corporate Office monitors its trade and other receivables aging on an ongoing basis and communicates concerns to all of our Business Units as part of its process in managing its credit risk. We also manage credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. We also attend industry forums to assess credit worthiness of customers related predominately to the oil and gas industry. No individual customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2020 and 2019.

Interest Rates:

Changes in interest rates may result in fluctuations in our future cash flows.

Risk Description & Trend

We are susceptible to fluctuations in interest rates. Our Bank Credit Facility is priced at variable rates, however, it remains undrawn. To the extent we utilize our Bank Credit Facility we incur the risk of interest rates rising. Our Private Placement Debt, the Debentures and our Various Financing Loans are issued at fixed rates. The majority of our long-term debt, specifically $461.7 million, matures in 2024 and 2026.

Trend: At December 31, 2020, we had $607.8 million (2019 – $616.8 million) of borrowings at an average interest rate of 4.2 percent.

Potential Impact

Borrowings issued at fixed rates, like our Private Placement Debt, expose Mullen Group to fair value interest rate risk. More specifically, we are susceptible to the opportunity costs associated with interest rate decreases considering that the interest rates on the majority of our borrowings are fixed. In theory, assuming all other variables were held constant, if interest rates increased by 1.0 percent on our $607.8 million debt, we would incur additional annual interest expense of approximately $6.1 million upon renewal.

Mitigation

We do not hedge interest rates or have any interest rate swaps, but we have mitigated the negative risk of rising interest rates by financing most of our debt, specifically $607.8 million, at fixed rates.

OPERATIONAL RISKS

Employees and Labour Relations:

We depend on our employees to support our business operations and future growth opportunities. If our relationship with our employees deteriorates or if we have difficulty attracting and retaining employees, we could be faced with labour inefficiencies, disruptions, work stoppages, or delayed growth, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risk Description & Trend

The success of Mullen Group is dependent upon attracting and retaining key personnel. Any loss of the services of such persons could have a material adverse effect on our business, results of operations and financial condition. We anticipate that our ability to expand services will be dependent upon attracting additional qualified employees, which is constrained in times of strong industry activity. Our senior management team is an important part of our business and loss of key employees could have a material adverse effect on our business, results of operations and financial condition.

Trend: At December 31, 2020, we employed 5,638 employees, owner operators and dedicated subcontractors as compared to 6,124 in 2019.

Potential Impact

The failure to attract and retain a sufficient number of qualified personnel could have a material adverse effect on our profitability. The largest components of our overall expenses are salary, wages, benefits and costs of Contractors. Any significant increase in these expenses could impact our financial performance. In addition, we are at risk if there are any labour disruptions. Some of our Business Units are subject to collective agreements with their employees. Any work stoppages, or unbudgeted or unexpected increases in compensation could have a material adverse effect on our profitability and reduce cash flow from operating activities.

Further, we benefit from the leadership and experience of our senior management team and other key employees and depend on their continued services to successfully implement our business strategy. The unexpected loss of key employees or inability to execute our succession planning strategies could have an adverse effect on our business, results of operations, and financial condition.

Mitigation

In order to reasonably mitigate this risk, we aim to be an employer of choice by offering competitive wages and incentive-based pay, establishing superior safety programs and fostering a strong reputation as an ethical company. In addition, the Board reviews its succession plans for the senior executive team on an annual basis. These endeavours are designed to attract the best people at every level of our business, establish them in their roles, manage their development and identify successor candidates for senior roles. In addition to providing specific job-related and safety training, we encourage all of our employees to continue their education, training and skills upgrading and provide employees with the resources required to achieve and maintain our operational excellence.

Cost Escalation and Fuel Costs:

Our ability to control our costs is critical to servicing customers at attractive rates and remaining profitable.

Risk Description & Trend

Cost escalations due to rising labour and other costs, the effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors over which we have little or no control. Of these costs, fuel represents a significant operating expense for us. Fuel prices fluctuate greatly due to factors beyond our control, such as global supply and demand for crude oil, political events, price and supply decisions by oil producing countries and cartels, terrorist activities, the depreciation of the Canadian dollar relative to other currencies, hurricanes and other natural disasters as well as fuel and carbon taxes.

Trend: The average wholesale rack price of diesel fuel in Canada for 2020 was $0.5660 per litre as compared to $0.7870 per litre in 2019.

Potential Impact

GHG regulations are likely to continue to impact the design and cost of equipment utilized in our operations as well as fuel costs. Significant increases in fuel prices, labour costs, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in rates or fuel surcharges, would reduce profitability and could adversely affect our ability to carry out our strategic plans. We cannot predict the impact of future economic conditions and there is no assurance that our operations will continue to be profitable.

Mitigation

To reasonably mitigate the risk of potential for cost escalation, we focus on operational excellence, synergies between our Business Units and cost control. We rely on, among other things, long-term planning, budgeting processes, and internal benchmarking to achieve our profitability targets. Additionally, we mitigate the risk of inflation by owning a large network of terminals. We also mitigate our exposure to rising fuel costs through the implementation of various fuel surcharge programs, which pass the majority of cost increases to our customers and have implemented policies that focus on fuel efficiency, including fuel economy, asset utilization and minimizing dead-head mileage, proper repairs and maintenance of equipment, idling and speed policies.

Potential Operating Risks and Insurance:

Our success is dependent on our ability to manage operational risks. The transportation and other various service sectors that we operate in are subject to inherent risks. Failure to manage these operational risks may have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Risk Description & Trend

Our transportation operations are subject to risks inherent in the transportation industry, including potential liability that could result from, among other things, personal injury or property damage arising from motor vehicle accidents. Our Specialized & Industrial Services segment is subject to risks inherent in the oil and gas industry, such as equipment defects, malfunction, failures and natural disasters. These risks could expose Mullen Group to substantial liability for personal injury, loss of life, business interruption, property damage or destruction, pollution and other environmental damages.

Trend: Our 2020 total recordable injury frequency rate, a leading indicator of operational excellence, was 2.99 as compared to 3.10 in 2019.

Potential Impact

Claims may be asserted against us related to accidents, cargo loss or damage, property damage, personal injury, employment and environmental or other issues occurring in our operations. Although we have obtained insurance coverage against certain of the risks to which we are exposed, such insurance is subject to deductibles and coverage limits and no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the frequency and/or severity of claims increase, our operating results could be adversely affected. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, results of operations and financial condition may be materially adversely affected.

Mitigation

We have insurance and risk management programs in place to protect our assets, operations and employees and also have programs in place to address compliance with current safety and regulatory standards so as to reasonably mitigate against the risks to which we are exposed. Each Business Unit has a health and safety coordinator responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Corporate Office in a timely manner. Internal and external audits are conducted on a regular basis to ensure the proper functioning of the Health, Safety and Environment program and the reporting systems.

Digital Infrastructure and Cyber Security:

We are dependent on computer and communications systems; and a systems failure or data breach could cause a significant disruption to our business.

Risk Description

We believe that a well-functioning and efficient IT system is a prerequisite to growth, operational excellence and superior customer service, aids day-to-day operational management and provides accurate financial information. Our business involves high transaction volumes, complex logistics, the tracking of thousands of orders, the geopositioning of trucks and trailers as well as the communication with drivers and field personnel in real time. We are therefore heavily dependent on certain software, communication systems and network infrastructure. A serious prolonged failure in this area may materially affect our business.

Potential Impact

Our IT systems may be susceptible to damage, disruptions or shutdowns due to: hardware failures, power outages, fire, natural disasters, telecommunications failure, internet failures, computer viruses, data breaches or attacks by computer hackers or malicious actors, user errors or catastrophic events. Such failures or unauthorized access could disrupt our business and could result in the loss of confidential information, intellectual property, litigation, remediation costs, damage to our reputation and negatively impact our ability to service our customers. In addition, the cost and operational consequences of reinstituting our IT systems capabilities or implementing further data or system protection measures could be significant.

Mitigation

Each of our Business Units run separate instances of our Enterprise Resource Planning ("**ERP**") software package that supports our business processes. As part of our entity wide IT risk mitigation policy, we regularly engage third-party vendors to complete security assessments of our IT systems, consisting of external and internal penetration tests. At both the corporate level and within the individual Business Units, IT systems are subject to stringent guidelines, standardization, vigorous virus and access protection, back-up systems and replicated data. We employ project management techniques to manage new software developments and/or system implementations. We have a disaster recovery plan in place that is evaluated regularly and portions thereof are tested on a regular basis. Hosted by a reputable third-party, our primary data and back-up data centres have high levels of durability and redundancy built into them. Our back-up data centre allows our organization to continue processing data in the event of a major incident involving our primary data centre. In addition, we have purchased cyber insurance coverage to assist with mitigating the unlikely risk that an outside threat gains access to our IT systems.

Business Continuity, Disaster Recovery and Crisis Management:

In the event of a serious incident, the inability to restore or replace critical capacity in a timely manner may impact our business and operations.

Risk Description

Our operations are widespread and geographically diverse. Severe weather conditions and other natural or manmade disasters, including storms, floods, fires, epidemics or pandemics, conflicts or unrest, terrorist attacks or other events affecting one of our major facilities or areas of operations could result in a significant interruption in or disruption of our business.

Potential Impact

A serious event could result in decreased revenue, as our ability to service our customers may be impeded or we may incur increased costs to operate our business, which could have an adverse effect on our results of operations. In addition, a serious event may reduce our customers' needs for our services.

Mitigation

This risk is mitigated by the development of business continuity arrangements, including disaster recovery plans and back-up delivery systems, to minimize the significance of any business disruption in the event of a major disaster. Insurance coverage may minimize losses in certain circumstances.

Environmental Liability Risks:

Our operations are subject to various environmental laws and regulations, the violation of which could result in substantial fines or penalties. The costs of compliance with existing or future environmental laws and regulations may be significant and could adversely impact our business, results of operations, financial condition, and cash flows.

Risk Description

The risk of incurring environmental liabilities is inherent in oilfield service and transportation operations. Historically, activities associated with such operations and the ownership, management or control of real estate pose an environmental risk. Some of our Business Units will routinely deal with natural gas, oil and other petroleum products. Our operations are subject to numerous laws, regulations and guidelines governing the management, handling, transportation and disposal of non-regulated and regulated substances and otherwise relating to the protection of the environment. These laws, regulations and guidelines include those relating to the remediation of spills, releases, emissions and discharges of regulated substances into the environment and those requiring removal or remediation of pollutants or contaminants.

Our customers are subject to various laws, regulations, and guidelines that prescribe, among other things, limits on emissions into the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, we cannot predict the nature of the restrictions that may be imposed.

Potential Impact

Failure to comply with an environmental law or regulation may impose civil and criminal penalties. Certain of our Business Units carry significant volumes of dangerous goods. This involves specific insurance requirements, training programs and appropriate permits with the various provinces and states in which our Business Units operate.

We may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

We operate out of numerous owned and leased facilities throughout Canada where storage tanks may be used or may have been used at some prior date. Canadian laws generally impose potential liability on the present or former owners or occupants of properties on which contamination has occurred. Although we are not aware of any contamination which, if remediation or clean-up were required, could have a material adverse effect on Mullen Group. Certain facilities have been in operation for many years and, over such time, Mullen Group or the prior owners, operators or custodians of the properties may have generated and disposed of substances which are or may be considered hazardous.

Mitigation

There can be no assurance that we will not be required at some future date to comply with new environmental laws, or that our operations, business or assets will not otherwise be further affected by current or future environmental laws. While we maintain liability insurance, including insurance for certain environmental incidents, the insurance is subject to coverage limits and certain of our policies exclude coverage for damages resulting from environmental contamination. There can be no assurance that insurance will continue to be available to us on commercially reasonable terms, that the types of liabilities that we may incur will be covered by our insurance, or that the dollar amount of such liabilities will not exceed our policy limits.

In regards to the transportation of dangerous goods, we ensure that strict guidelines are met before a Business Unit and the individual drivers are permitted to manage, handle or transport such dangerous goods.

We have programs to address compliance with current environmental standards and monitor our practices concerning the handling of environmentally hazardous materials. We endorse a formalized quality program and strive to be the best in class in areas of safety and environmental excellence. We believe in a balanced approach to sustainable development and are committed to best in class environmental management systems. In addition, we work with government, industry groups and the public to improve and develop environmental standards and further our understanding of environmental issues. We also promote the participation and certification of our Business Units in the SmartWay Certification Program, a Government of Canada program designed to reduce GHG.

Due diligence procedures in the context of potential acquisitions and appropriate terms in purchase and sale agreements related to acquisitions also assist with reasonably mitigating the risk of environmental liabilities.

Weather and Seasonality:

Our operations could be impacted by seasonal fluctuations or harsh weather conditions.

Risk Description & Trend

Harsh weather conditions can impede the movement of goods and increase operating costs.

Revenue and profitability within our Less-Than-Truckload and our Logistics & Warehousing segments are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower following the holiday season due to less consumer demand and customers reducing shipments.

The level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns. Typically activity levels are reduced in the spring when wet weather and the spring thaw make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of heavy equipment.

Additionally, certain oil and gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain.

Trend: In 2020 revenue was affected by COVID-19. Revenue, excluding the effect of acquisitions, was 27.3 percent of total annual revenue in the first quarter, 22.1 percent in the second quarter, 25.3 percent in the third quarter and 25.3 percent in the fourth quarter.

Potential Impact

An unexpected or harsh weather event could result in decreased revenue, as our ability to service our customer is impeded or we may incur increased costs to operate our business, which could have an adverse effect on our results of operations.

Seasonal factors typically lead to declines in activity levels. In the Less-Than-Truckload and the Logistics & Warehousing segments, operating expenses tend to increase in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions at a time when demand is seasonally lower.

In the Specialized & Industrial Services segment, a significant portion of our operations relates to the moving of heavy equipment, drilling rigs and drilling supplies in northern and western Canada. Activity levels, revenue and earnings are influenced by the seasonal activity pattern of western Canada's oil and gas exploration industry whereby activity peaks in the winter months and declines during the spring.

Mitigation

We mitigate some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur. We also manage some of this risk by diversifying our operations and by using subcontractors and owner operators, which requires no investment by Mullen Group, to handle seasonal peaks.

Our growth through acquisition, in the last number of years, into businesses not directly tied to oil and gas drilling activity has lessened the seasonal nature of our overall performance.

Access to Parts, Development of New Technology and Relationships with Key Suppliers:

We depend on suppliers for fuel, equipment, parts, and services that are critical to our operations. A disruption in the availability of or a significant increase in the cost to obtain these supplies could adversely impact our business and results of operations.

Risk Description

Our ability to compete and expand is most directly tied to our having access at a reasonable cost to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors, and to the development and acquisition of new and competitive technologies.

Potential Impact

Although we have individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, our ability to compete may be impaired by virtue of diminished availability and/or increased cost of securing certain equipment and parts. We have access to certain distributors and secure discounts on parts and components that would not be available if it were not for our relationships with certain key suppliers. Should the relationships with key suppliers cease the availability and cost of securing certain equipment and parts may be adversely affected.

Mitigation

In consideration of this risk we assess our suppliers and endeavour to ensure that our suppliers are financially viable or that suitable alternatives exist if relationships with current suppliers were to become compromised. In addition, we also retain what we consider an appropriate level of inventory of critical parts and supplies.

Regulation:

Various federal, provincial and state agencies exercise broad regulatory powers over the transportation industry, generally governing our activities.

Risk Description

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry, each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Our operations are subject to a variety of Regulations relating to, among other things: safety, equipment weight, equipment dimensions, driver hours-of-service and the transportation of hazardous materials. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. In addition, our operations are subject to hours of service regulations and electronic logging and, in certain cases, random drug testing.

Potential Impact

Changes in regulations applicable to Mullen Group could increase operating costs and have a material adverse effect on our business, results of operations and financial condition. The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although we are committed to compliance and safety through our operational excellence initiatives, there is no assurance that we will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, we could be required to incur significant costs to maintain or improve our compliance record.

Mitigation

In consideration of this risk we monitor regulatory frameworks with a particular focus on hours of service, over-dimensional freight and transportation of fluids and work, in conjunction with industry associations, to advocate our need to regulators and ensure that equipment meets regulations and that sufficient capital is invested to meet current and anticipated regulatory requirements.

Litigation:

From time to time, Mullen Group or its Business Units may be the subject of litigation, claims, administrative proceedings and regulatory actions ("Claims") arising out of its operations or business in general.

Risk Description

Our business is subject to the risk of litigation by employees, customers, vendors, government agencies, shareholders and other parties. Various types of Claims may be made against Mullen Group or its Business Units including but not limited to those pertaining to negligence, breach of contract, environmental, tax, patent infringement, employment matters and safety incidents.

Potential Impact

The outcome of litigation is difficult to assess or quantify, and the magnitude of potential loss relating to such Claims made against Mullen Group or its Business Units may be material or may be indeterminate. The outcome of any such Claims cannot be predicted with certainty and may impact our business, financial condition, results of operations or cash flows. Further, unfavourable outcomes of settlements of Claims could encourage the commencement of additional Claims. We may also be subject to negative publicity with respect to such Claims regardless of fault. We may also be required to incur significant expenses and devote significant resources in defence of any such Claims.

Mitigation

In consideration of this risk we have insurance and risk management programs in place. For Claims that do not fall under such programs, we endorse a formalized quality program and strive to be the best in class in respect of operational excellence so as to reasonably mitigate this risk. When required we retain expert legal counsel to defend Mullen Group or its Business Units so as to reasonably mitigate the risk of an unfavourable outcome of a claim.

.

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations, which are based upon our Annual Financial Statements that have been prepared in accordance with IFRS. The Annual Financial Statements require management to select significant accounting policies, which are contained within the notes to such statements. These significant accounting policies involve critical accounting estimates regarding matters that are inherently uncertain and require management to make estimates, complex judgements and assumptions. These estimates, complex judgements and assumptions are based on the circumstances that exist at the reporting date and may affect the reported amounts of income and expenses during the reporting periods and the carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values. The following describes critical accounting estimates we used in preparing the Annual Financial Statements and are an important part in understanding such statements:

Impairment tests

We assess, at the end of each reporting period, whether there is an indication that an asset group may be impaired. We have three significant asset groups that are reviewed for impairment. First, goodwill is reviewed for impairment annually, or more frequently if there are indications that impairment may have occurred. The second and third asset groups consist of intangible assets and long-lived assets. Intangible assets are normally acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements, which are amortized over their estimated life from the date of acquisition. Long-lived assets include property, plant and equipment and other assets. These asset groups are tested for impairment when events or changes in circumstances indicate that their carrying amount may not be recoverable. If any indication of impairment exists we estimate the recoverable amount of the asset group. External triggering events include, for example, changes in customer or industry dynamics, drilling and other technologies and economic declines, including the decline in the value of our Common Share price. Internal triggering events for impairment include lower profitability or planned restructuring.

The impairment tests compare the carrying amount of the asset of the cash generating unit ("**CGU**") to its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal ("**FVLCD**") and the determination of value in use ("**VIU**"). The determination of VIU requires the estimation and discounting of cash flows, which involve key assumptions that consider all information available on the respective testing date. Management uses its judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows.

Impairment of Goodwill

In general terms, goodwill represents the excess of the purchase price of a business combination over the net amount of identifiable assets acquired less the liabilities assumed. At December 31, 2020 and 2019 we performed our annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of our CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount.

The recoverable amount was determined using a discounted cash flow approach for all CGUs. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.

Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

	Discount rate		Terminal value growth rate	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Cash Generating Unit				
Gardewine Group Limited Partnership	**10.5%**	10.5%	**2.0%**	2.0%
Kleysen Group Ltd.	**10.5%**	10.5%	**2.5%**	2.5%
Hi-Way 9 Express Ltd.	**11.0%**	11.0%	**2.5%**	2.5%
Tenold Transportation Ltd.	**11.0%**	11.0%	**2.5%**	—
Heavy Crude Hauling L.P.	**12.0%**	12.0%	**2.0%**	2.0%
E-Can Oilfield Services L.P.	**12.0%**	12.0%	**2.0%**	2.0%
Canadian Dewatering L.P.	**12.0%**	12.0%	**2.5%**	2.5%
Others	**11.0% – 12.0%**	11.0% – 12.0%	**2.0% – 2.5%**	2.0% – 2.5%

(i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using constant growth rates of between 2.0 to 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the Business Unit's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.

(ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.

(iii) Each CGU's discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

The Corporation believes that the following changes in the key assumptions would result in a recoverable amount equal to the carrying value of the CGU, with any additional change in the assumptions causing goodwill to become impaired.

	Change in discount rate		Change in terminal value growth rate	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Cash Generating Unit				
Gardewine Group Limited Partnership	**4.0%**	4.1%	**(6.0)%**	(6.1)%
Kleysen Group Ltd.	**6.3%**	6.4%	**(10.7)%**	(10.3)%
Hi-Way 9 Express Ltd.	**9.7%**	12.8%	**(18.5)%**	(29.2)%
Tenold Transportation Ltd.	**4.4%**	6.5%	**(6.9)%**	(8.4)%
Heavy Crude Hauling L.P.	**1.6%**	3.5%	**(2.2)%**	(5.4)%
E-Can Oilfield Services L.P.	**3.2%**	3.0%	**(4.8)%**	(4.4)%
Canadian Dewatering L.P.	**9.4%**	8.9%	**(18.7)%**	(17.5)%

Intangible assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when an intangible asset or a business is acquired and then amortized on a straight-line basis over their estimated life. At December 31, 2020, intangible assets totalled $45.9 million (2019 – $48.5 million). Property, plant and equipment are mainly comprised of trucks and trailers, land and buildings. The net book value of property, plant and equipment at December 31, 2020, was $939.1 million (2019 – $954.6 million).

Acquisitions

The acquired assets, assumed liabilities (other than deferred taxes) and contingent consideration are recognized at fair value on the date we effectively obtain control. The measurement of business combinations is based on the information available on the acquisition date. The determination of fair value of the acquired intangible assets (including goodwill), property, plant and equipment and other assets and the liabilities assumed at the date of acquisition, as well as the useful lives of the acquired intangible assets and property, plant and equipment, is based on assumptions. The measurement is largely based on projected cash flows and market conditions at the date of acquisition. Contingent consideration is based on the likelihood of various outcomes of specified future events.

Property, plant and equipment and intangible assets

Property, plant and equipment are initially recognized at cost and include all expenditures directly attributable to bringing the asset to its intended use. The method and rates used in calculating depreciation of property, plant and equipment is an estimate. We calculate depreciation of property, plant and equipment using the declining balance method for the majority of our assets. No changes were made to the methods or rates we used to estimate depreciation expense on property, plant and equipment during the past two years.

We believe the methods and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last ten years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time. At December 31, 2020, the Less-Than-Truckload segment had a carrying value of property, plant, and equipment of $135.8 million (2019 – $125.3 million), the Logistics & Warehousing segment had a carrying value of $82.3 million (2019 – $100.2 million) and the Specialized & Industrial Services segment had a carrying value of $230.0 million (2019 – $255.8 million). The carrying value of property, plant and equipment within the Corporate Office was $491.0 million at December 31, 2020 (2019 – $473.3 million).

Intangible assets are amortized on a straight line basis over a period of five to ten years. Mullen Group determines the length of the amortization period at the date of acquisition. The method used in determining the amortization period is based upon the anticipated present value of future cash flows generated from customer relationships purchased on acquisitions. At December 31, 2020, the Less-Than-Truckload segment had a carrying value of intangible assets of $26.1 million (2019 – $23.5 million), the Logistics & Warehousing segment had a carrying value of $14.1 million (2019 – $15.8 million) and the Specialized & Industrial Services segment had a carrying value of $5.7 million (2019 – $9.2 million).

Derivative Financial Instruments

We utilize Derivatives such as cross-currency swaps to manage our exposure to foreign currency risks relating to our U.S. dollar debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads.

Trade and other receivables

Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are based on historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, we review external credit ratings as well as bank and trade references when available. At December 31, 2020, we recognized a reserve for bad debts of $6.4 million (2019 – $7.8 million) against total gross trade and other receivables of $198.9 million (2019 – $219.0 million).

Income Taxes

Mullen Group's deferred income tax assets and liabilities are determined based on "temporary differences" (differences between the accounting basis and the tax basis of the assets and liabilities), and are measured using the currently enacted, or substantively enacted, tax rates and laws expected to apply when these differences reverse. We operate in several provincial jurisdictions and are subject to various rates of taxation. The actual amount of tax ultimately paid in these jurisdictions may differ from the estimated amount.

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2020 that significantly impact Mullen Group.

Changes in Accounting Policies

Other than the newly adopted accounting policy as described below, there have been no changes to our accounting policies in 2020 as compared to those disclosed in our audited annual consolidated financial statements for the fiscal year ended December 31, 2019.

In 2020 the Corporation adopted the following accounting policy as a result of qualifying for the CEWS program as enacted on April 11, 2020, by the federal Government of Canada.

Government Subsidies

Policy: Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Corporation will comply with all relevant conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

Supporting Information: During the twelve month period ending December 31, 2020, we qualified for the CEWS program and recognized $26.5 million as a reduction to wage expense with $20.2 million and $6.3 million allocated to direct operating expenses, and selling and administrative expenses, respectively.

IFRS 16 – Leases

Effective January 1, 2019, Mullen Group adopted IFRS 16 – Leases using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. The modified retrospective method does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings (deficit).

IFRS 3 – Business Combinations

IFRS 3 – Business Combinations has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for the years beginning on or after January 1, 2020. This amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 – Uncertainty over Income Tax Treatments specifies how to reflect uncertainty in accounting for income taxes and is mandatory for the accounting period beginning on January 1, 2019. There was no impact on the measurement of taxes as a consequence of this adoption.

Annual Improvements to IFRS Standards

On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements – to clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business;

- IAS 12 – Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits; and

- IAS 23 – Borrowing Costs – to clarify that specific borrowings (i.e. funds borrowed specifically to finance the construction of a qualifying asset) should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

Mullen Group has adopted these amendments in its financial statements effective January 1, 2019. The extent of the impact of adoption of the amendments is not material.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at December 31, 2020, an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and the CFO concluded that, as at December 31, 2020, the design and operation of our disclosure controls and procedures was effective.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the CEO and CFO, management conducted an evaluation of the effectiveness of its internal control over financial reporting as at December 31, 2020.

Based on this evaluation, the CEO and CFO concluded that as at December 31, 2020, our internal control over financial reporting was effective. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at December 31, 2020 there was no change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

FORWARD-LOOKING INFORMATION STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable Canadian Securities laws. Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The following is a list of forward-looking statements contained within this MD&A, along with the respective assumptions:

- Mullen Group's comment that we have over $100.0 million of cash on the balance sheet, we are well positioned to capitalize on new opportunities or to meet the potential challenges that a lingering COVID-19 might bring, as referred to in the Executive Summary section beginning on page 7. This forward-looking statement is based on the assumption that we are hopeful that this virus can be brought under control sooner rather than later, along with a return to something we can say is normal, the truth is no one knows for sure. So, we will keep one eye open for a good acquisition, one that makes financial sense and can provide a future platform for growth, but the other eye keenly focused on what we see in front of us, including working alongside and supporting our well managed Business Units. Our number one objective is to position this organization to be successful over the long term.

- Mullen Group's comment that our core business should be consistent with last year and we intend on using our balance sheet to pursue acquisitions, invest in strategic facilities and for growth capital, as referred to in the Outlook section beginning on page 10. These forward-looking statements are based on the assumption that as we enter 2021, COVID-19 remains the single biggest obstacle that must be navigated. Expectations are for the consumer to remain the predominate economic engine accompanied by a recovery in the oil industry due to higher crude oil prices. However, we are realists and know that the economy will not reach full potential until the virus has been stopped. We enter 2021 with over $100.0 million in cash, a well-structured balance sheet and an unused Bank Credit Facility of $150.0 million.

- Mullen Group's intention to pay annual dividends of $0.48 per Common Share ($0.04 per Common Share on a monthly basis) for 2021, subject to Board approval, as referred to in the Corporate Overview section beginning on page 11. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the dividend.

- Mullen Group's announcement of the plan to allocate $100.0 million over the course of three years to repurchase our Common Shares via an authorized share buyback program, as referred to in the Corporate Overview section beginning on page 11. This forward-looking statement is based on the assumption that we will obtain approvals from the TSX to renew a share buyback program and that we will generate sufficient cash in excess of our financial obligations to support the share buyback program.

- Mullen Group's intention to invest $60.0 million in capital expenditures, exclusive of corporate acquisitions or investment in facilities, land and buildings, with $50.0 million allocated towards maintenance capital primarily to replace trucks, trailers, specialized equipment and technology to support the operations of the business. In addition, we will allocate $10.0 million to fund growth and create jobs in Canada, as referred to in the Corporate Overview section beginning on page 11. This forward-looking statement is based on the assumption that our Business Units will require capital to support their ongoing operations and growth opportunities and that we will generate sufficient cash in excess of our financial obligations to support the capital expenditures.

- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2021 to finance our ongoing working capital requirements, our dividend, our 2021 capital budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 37. This forward-looking statement is based on our belief that our access to cash will exceed our expected requirements.

Although we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct.

Forward-looking statements address future events and conditions and, therefore, involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to certain strategic, financial and operational risks, most important of which are geopolitical risks including but not limited to a slowdown in the general economy, reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; e-commerce and supply chain evolution; acquisitions; competition; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; prevailing interest rates; employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; and litigation. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A.

Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen Group along with the forward-looking statements in this MD&A, may be found in the Advisory on page 1 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. We rely on litigation protection for "forward-looking" statements.

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The Annual Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to operating margin, net income – adjusted, earnings per share – adjusted, net capital expenditures, net debt, total net debt and cash flow per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. This MD&A reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate our ability to fund our operations and information regarding our liquidity. In addition, these measures are used by management in its evaluation of performance. These Non-GAAP Terms may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the foregoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.

Operating Margin

Operating margin is a Non-GAAP term and is defined as OIBDA divided by revenue. Management relies on operating margin as a measurement since it provides an indication of our ability to generate an appropriate return as compared to the associated risk and the amount of assets employed within our principal business activities.

(unaudited) *($ millions)*	Three month periods ended December 31		Years ended December 31	
	2020	2019	**2020**	2019
Operating income before depreciation and amortization	**$ 52.2**	$ 49.9	**$ 217.6**	$ 200.9
Revenue	**$ 297.7**	$ 314.6	**$ 1,164.3**	$ 1,278.5
Operating margin	**17.5%**	15.9%	**18.7%**	15.7%

Net Income – Adjusted and Earnings per Share – Adjusted

Net income – adjusted and earnings per share – adjusted are calculated by adjusting net income and basic earnings per share by the impact of any net foreign exchange gains and losses, from the change in fair value of investments and from the gain on fair value of equity investment. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See pages 28 and 51 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

Net capital expenditures are calculated by subtracting the amount of cash received from the sale of property, plant and equipment from the amount of cash used to purchase property, plant and equipment. Management calculates net capital expenditures to evaluate and manage its capital expenditure budget and to assist in allocating capital amongst its Business Units.

(unaudited) *($ millions)*	**Three month periods ended December 31**				**Years ended December 31**			
		2020		**2019**		**2020**		**2019**
Purchase of property, plant and equipment	**$**	**27.4**	$	23.7	**$**	**64.9**	$	75.0
Proceeds on sale of property, plant and equipment		**(8.7)**		(2.8)		**(14.5)**		(6.5)
Net capital expenditures	**$**	**18.7**	$	20.9	**$**	**50.4**	$	68.5

Net Debt

Net debt is calculated by subtracting total working capital (current assets less current liabilities) from total debt (long-term debt plus the debt component of lease liabilities and Debentures). Management calculates net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		**December 31, 2020**		**December 31, 2019**
Long-term debt	**$**	**461.7**	$	467.4
Convertible debentures - debt component		**111.1**		108.7
Lease liabilities (non-current portion)		**23.6**		30.0
Total debt		**596.4**		606.1
Less working capital:				
Current assets		**345.3**		349.3
Current liabilities		**(106.2)**		(106.0)
Total working capital		**239.1**		243.3
Net debt	**$**	**357.3**	$	362.8

Total Net Debt

The term "*total net debt*" means all debt excluding the Debentures but includes the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. Management calculates total net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		**December 31, 2020**
Private Placement Debt	**$**	**461.7**
Lease liabilities (including the current portion)		**35.0**
Letters of credit		**4.0**
Total debt		**500.7**
Less: unrealized gain on Cross-Currency Swaps		**(37.9)**
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	**$**	**462.8**

Cash Flow per Share

Cash flow per share is calculated by dividing net cash from operating activities by the weighted average number of Common Shares outstanding. Management measures cash flow per share to provide investors with an indication of the amount of cash being generated on a per share basis, after consideration of working capital and income taxes paid.

(unaudited) *($ millions, except share and per share amounts)*	**Three month periods ended December 31**				**Years ended December 31**			
		2020		**2019**		**2020**		**2019**
Net cash from operating activities	**$**	**52.5**	$	54.2	**$**	**224.8**	$	170.6
Weighted average number of Common Shares outstanding		**96,870,540**		104,824,973		**100,624,227**		104,824,973
Cash flow per share	**$**	**0.54**	$	0.52	**$**	**2.23**	$	1.63

DECEMBER 31, 2020

ANNUAL FINANCIAL REPORT

Independent auditor's report

To the Shareholders of Mullen Group Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mullen Group Ltd. and its subsidiaries (together, the Corporation) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

What we have audited
The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill of certain cash generating units (CGUs) in the Specialized and Industrial Services segment *Refer to note 2d – Use of estimates and judgments, note 3 – Significant accounting policies and note 11 – Goodwill to the consolidated financial statements.* The Corporation had a carrying value of $271.3 million of goodwill as at December 31, 2020, which includes $79.3 million for the Specialized and Industrial Services segment. Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. An impairment loss is recognized if the carrying amount of a CGU to which the goodwill relates exceeds its recoverable amount. The recoverable amount was based on a value in use method using a discounted cash flow (DCF) model. The DCF reflects the specifics of each CGU and its business environment and the model calculates the present value of the estimated future earnings of each CGU. Key assumptions used in the DCF model included terminal value growth rate and discount rate. We considered this a key audit matter due to the significant judgments made by management in determining the recoverable amounts of certain CGUs within the Specialized and Industrial Services segment, including the use of key assumptions. This in turn led to a high degree of subjectivity and effort in performing procedures to test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	Our approach to addressing the matter involved the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill for certain CGUs in the Specialized and Industrial Services segment, which included the following: – Tested the appropriateness of the method used and the mathematical accuracy of the DCF model. – Tested the underlying data used in the DCF model. – Professionals with specialized skill and knowledge in the field of valuation assisted in: ○ assessing the reasonability of the DCF model used; ○ testing the reasonableness of the terminal value growth rate and discount rate applied by management; and ○ assessing the reasonableness of the CGU's implied earnings multiple. • Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of the terminal value growth rate and discount rate.

pwc

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual financial review, which we obtained prior to the date of this auditor's report and the Chairman's Message, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the Chairman's Message, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

pwc

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Khurram Asghar.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 10, 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands)	Note		December 31 2020		December 31 2019
Assets					
Current assets:					
Cash and cash equivalents	**6**	**$**	**105,340**	$	79,023
Trade and other receivables	**7**		**192,453**		211,209
Inventory	**8**		**30,072**		33,015
Prepaid expenses			**13,910**		15,461
Current tax receivable			**3,522**		10,623
			345,297		349,331
Non-current assets:					
Property, plant and equipment	**9**		**939,107**		954,604
Right-of-use assets	**10**		**32,186**		36,799
Goodwill	**11**		**271,340**		268,707
Intangible assets	**12**		**45,867**		48,456
Investments	**13**		**35,761**		38,491
Deferred tax assets	**18**		**9,072**		8,070
Derivative financial instruments	**14**		**37,906**		41,375
Other assets	**15**		**1,400**		3,459
			1,372,639		1,399,961
Total Assets		**$**	**1,717,936**	$	1,749,292
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities	**16**	**$**	**88,153**	$	90,028
Dividends payable	**17**		**2,906**		5,241
Current tax payable			**3,687**		44
Lease liabilities – current portion	**19**		**11,439**		10,711
Current portion of long-term debt			**16**		—
			106,201		106,024
Non-current liabilities:					
Convertible debentures – debt component	**20**		**111,111**		108,764
Long-term debt	**21**		**461,713**		467,392
Lease liabilities	**19**		**23,593**		29,975
Asset retirement obligations			**1,609**		1,647
Deferred tax liabilities	**18**		**117,291**		117,569
			715,317		725,347
Equity:					
Share capital	**22**		**874,888**		946,910
Convertible debentures – equity component	**20**		**9,116**		9,116
Contributed surplus			**36,577**		16,860
Deficit			**(24,163)**		(54,965)
			896,418		917,921
Total Liabilities and Equity		**$**	**1,717,936**	$	1,749,292

The notes which begin on page 98 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on February 10, 2021, after review by the Audit Committee.

"Signed: Murray K. Mullen"
Murray K. Mullen, Director

"Signed: Philip J. Scherman"
Philip J. Scherman, Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands, except per share amounts)	Note	Years ended December 31 2020	2019
Revenue	**24**	**$ 1,164,331**	$ 1,278,502
Direct operating expenses		**796,541**	909,911
Selling and administrative expenses		**150,216**	167,679
Operating income before depreciation and amortization		**217,574**	200,912
Depreciation of property, plant and equipment	**9**	**72,417**	80,476
Depreciation of right-of-use assets	**10**	**11,560**	11,710
Amortization of intangible assets	**12**	**17,613**	19,305
Finance costs	**26**	**28,464**	23,625
Net foreign exchange gain	**14**	**(2,393)**	(14,140)
Other (income) expense	**28**	**3,779**	(201)
Income before income taxes		**86,134**	80,137
Income tax expense	**18**	**22,155**	7,896
Net income and total comprehensive income		**$ 63,979**	$ 72,241
Earnings per share:	**23**		
Basic		**$ 0.64**	$ 0.69
Diluted		**$ 0.64**	$ 0.69
Weighted average number of Common Shares outstanding:	**23**		
Basic		**100,624**	104,825
Diluted		**100,624**	104,825

The notes which begin on page 98 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(*thousands*)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Total
Balance at January 1, 2020		**$ 946,910**	**$ 9,116**	**$ 16,860**	**$ (54,965)**	**$ 917,921**
Total comprehensive income for the period		**—**	**—**	**—**	**63,979**	**63,979**
Common Shares repurchased	**22**	**(72,022)**	**—**	**18,613**	**—**	**(53,409)**
Stock-based compensation expense		**—**	**—**	**1,104**	**—**	**1,104**
Dividends declared to common shareholders	**17**	**—**	**—**	**—**	**(33,177)**	**(33,177)**
Balance at December 31, 2020		**$ 874,888**	**$ 9,116**	**$ 36,577**	**$ (24,163)**	**$ 896,418**

(*thousands*)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Deficit	Total
Balance at January 1, 2019		$ 946,910	$ —	$ 15,477	$ (64,311)	$ 898,076
Total comprehensive income for the period		—	—	—	72,241	72,241
Convertible debentures issued	**20**	—	12,403	—	—	12,403
Deferred tax on convertible debentures		—	(3,287)	—	—	(3,287)
Stock-based compensation expense		—	—	1,383	—	1,383
Dividends declared to common shareholders	**17**	—	—	—	(62,895)	(62,895)
Balance at December 31, 2019		**$ 946,910**	**$ 9,116**	**$ 16,860**	**$ (54,965)**	**$ 917,921**

The notes which begin on page 98 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands)	Note	Years ended December 31 2020	2019
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 63,979**	$ 72,241
Adjustments for:			
Depreciation and amortization		**101,590**	111,491
Finance costs	**26**	**28,464**	23,625
Stock-based compensation expense		**1,104**	1,383
Foreign exchange loss on cross-currency swaps	**14**	**3,469**	836
Foreign exchange gain		**(4,916)**	(14,396)
Change in fair value of investments	**28**	**975**	(15)
Loss on sale of property, plant and equipment	**28**	**5,023**	2,667
Gain on fair value of equity investment	**28**	**(432)**	—
Earnings from equity investments	**28**	**(1,813)**	(2,870)
Accretion on asset retirement obligations	**28**	**26**	17
Income tax expense	**18**	**22,155**	7,896
Cash flows from operating activities before non-cash working capital items		**219,624**	202,875
Changes in non-cash working capital items from operating activities	**33**	**22,582**	(466)
Cash generated from operating activities		**242,206**	202,409
Income tax paid		**(17,385)**	(31,756)
Net cash from operating activities		**224,821**	170,653
Cash flows from financing activities:			
Net proceeds of convertible debentures	**20**	**—**	119,797
Repurchase of Common Shares	**22**	**(53,409)**	—
Cash dividends paid to common shareholders		**(35,512)**	(62,895)
Interest paid		**(27,399)**	(23,962)
Repayment of long-term debt and loans	**21**	**(5)**	(5,767)
Repayment of bank credit facility		**—**	(30,000)
Repayment of lease liabilities	**19**	**(12,525)**	(12,133)
Changes in non-cash working capital items from financing activities	**33**	**(44)**	(112)
Net cash used in financing activities		**(128,894)**	(15,072)
Cash flows from investing activities:			
Acquisitions net of cash (bank indebtedness) acquired	**5**	**(20,216)**	(15,699)
Purchase of intangible assets		**(224)**	(360)
Purchase of property, plant and equipment		**(64,946)**	(75,022)
Proceeds on sale of property, plant and equipment		**14,519**	6,548
Proceeds on sale of investments		**—**	663
Interest received		**1,422**	2,377
Net investment in finance leases		**1,459**	1,238
Other assets		**(13)**	315
Changes in non-cash working capital items from investing activities	**33**	**(665)**	46
Net cash used in investing activities		**(68,664)**	(79,894)
Change in cash and cash equivalents		**27,263**	75,687
Cash and cash equivalents at January 1		**79,023**	3,916
Effect of exchange rate fluctuations on cash held		**(946)**	(580)
Cash and cash equivalents at December 31	**6**	**$ 105,340**	$ 79,023

The notes which begin on page 98 are an integral part of these consolidated financial statements.

1. Reporting Entity

Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") was incorporated pursuant to the laws of the Province of Alberta and is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol 'MTL'. The Corporation maintains its registered office in Okotoks, Alberta, Canada. The business of Mullen Group is operated through wholly-owned (either directly or indirectly) subsidiaries and limited partnerships ("**Business Units**"). The Corporation is recognized as one of the leading suppliers of trucking and logistics services in Canada providing a wide range of service offerings including less-than-truckload, truckload, warehousing, logistics, transload, oversized and specialized hauling transportation. In addition, Mullen Group provides a diverse set of specialized services related to the energy, mining, forestry and construction industries in western Canada, including water management, fluid hauling and environmental reclamation. These consolidated financial statements ("**Annual Financial Statements**") include the accounts of the Corporation, its subsidiaries and its limited partnerships.

2. Basis of Presentation

(a) Statement of Compliance

These Annual Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**").

(b) Basis of Measurement

These Annual Financial Statements have been prepared on the historical cost basis except for investments (excluding investments accounted for by the equity method), and derivative financial instruments ("**Derivatives**"), which are measured at fair value through profit or loss ("**FVTPL**").

(c) Functional and Presentation Currency

These Annual Financial Statements are presented in Canadian dollars, which is the functional currency of the Corporation and each of its Business Units. All financial information presented in Canadian dollars has been rounded to the nearest thousand except for per share amounts.

(d) Use of Estimates and Judgements

The preparation of these Annual Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates, judgements and assumptions. The carrying amount of assets, liabilities, accruals, provisions, other financial obligations, as well as the determination of fair values, contingent liabilities, reported income and expense in these Annual Financial Statements depends on the use of estimates, judgements and assumptions. In the process of applying the Corporation's accounting policies management takes into consideration existing circumstances and estimates at the date of these Annual Financial Statements, which affects the reported amounts of income and expenses during the reporting periods. Given the uncertainty inherent in determining these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Assessments about whether line items are sufficiently material to warrant separate presentation in the primary financial statements and, if not, whether they are sufficiently material to warrant separate presentation in the notes to the financial statements.

This section contains the Corporation's estimates and judgements that relate to the financial statements as a whole. When an estimate, judgement or accounting policy is acceptable to a specific note to the financial statements, the estimate, judgement or policy and related disclosures are provided within that note as identified in the table below:

Note	Topic	Page	Note	Topic	Page
6	Cash and cash equivalents	106	16	Accounts payable and accrued liabilities	23
7	Trade and other receivables	106	18	Income taxes	114
8	Inventory	107	19	Lease Liabilities	117
9	Property, plant and equipment	107	20	Convertible Unsecured Subordinated Debentures	118
11	Goodwill	109	23	Earnings per share	121
12	Intangible assets	112	27	Share-based compensation plans	124
14	Derivative Financial Instruments	112	34	Operating segments	131

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgements are outlined below. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by estimates and judgements.

<u>*Judgements*</u>

(i) Impairment Tests

Mullen Group assesses, at the end of each reporting period, whether there is an indication that an asset or cash generating unit ("**CGU**") may be impaired. If any indication of impairment exists, Mullen Group determines the recoverable amount of the asset or CGU. External triggering events include, for example, changes in customer or industry dynamics, drilling and other technologies and economic declines, including the decline in the value of Mullen Group's Common Share price. Internal triggering events for impairment include, for example, lower profitability or planned restructuring.

<u>*Estimates*</u>

(i) Acquisitions

The acquired assets, assumed liabilities (other than deferred taxes) and contingent consideration are recognized at fair value on the date Mullen Group effectively obtains control. The measurement of the assets and liabilities acquired in each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired intangible assets (including goodwill), property, plant and equipment and other assets and the liabilities assumed at the date of acquisition as well as the useful lives of the acquired intangible assets and property, plant and equipment is based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition. Contingent consideration is based on the likelihood of various outcomes of specified future events. ▶ **For more information, refer to Note 5**.

(ii) Impairment Tests

Mullen Group's impairment tests compare the carrying amount of the asset or CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("**FVLCD**") and value in use ("**VIU**"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows. ▶ **For more information, refer to Notes 11 and 12**.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Annual Financial Statements.

(a) Basis of Consolidation

These Annual Financial Statements include the accounts of Mullen Group, its subsidiaries and its limited partnerships. The financial statements of such subsidiaries and limited partnerships controlled by Mullen Group are included in these Annual Financial Statements from the date that control commenced until the date that control ceases. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its subsidiaries and limited partnerships and has the ability to affect those returns through its power to direct their activities. The accounting policies of subsidiaries and limited partnerships are the same as those of the Corporation. For the year ended December 31, 2020, the scope of consolidation for these Annual Financial Statements encompassed 84 entities, of which seven were a first time consolidation. The first time consolidations were a result of the acquisitions of Pacific Coast Express Limited ("**PCX**") and International Warehousing & Distribution Inc. ("**IWD**"). During 2020 eight entities ceased existence due to internal corporate reorganizations.

On January 1, 2020, Mullen Group commenced reporting financial results in three new operating segments including the restatement of segmented financial information for the prior year. These three operating segments have been differentiated by the sector of the economy in which the businesses operate, the type of services provided, the equipment requirements and the customer needs. The Less-Than-Truckload segment provides final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. The Logistics & Warehousing segment provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. The Specialized & Industrial Services segment provides specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries.

(b) Changes in Accounting Policies

In 2020, the Corporation adopted the following accounting policy as a result of qualifying for the Canada Emergency Wage Subsidy ("**CEWS**") program as enacted on April 11, 2020 by the federal Government of Canada.

<u>*Government Subsidies*</u>

Policy: Government subsidies are recognized when there is reasonable assurance that the subsidy will be received and that the Corporation will comply with all relevant conditions. Government subsidies related to current expenses are recorded as a reduction of the related expenses.

Supporting information: In 2020, the Corporation qualified for the CEWS program and recognized $26.5 million as a reduction to wage expense. In 2020, $20.1 million and $6.4 million was allocated to direct operating expenses and administrative expenses, respectively.

IFRS 16 – Leases

Effective January 1, 2019, Mullen Group adopted IFRS 16 – Leases using the modified retrospective method. Under the modified retrospective method, comparative financial information is not restated and continues to be reported under the accounting standards in effect for those periods. The modified retrospective method does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings (deficit).

IFRS 3 – Business Combinations

IFRS 3 – Business Combinations has been amended to revise the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment to IFRS 3 is effective for the years beginning on or after January 1, 2020. This amendment is not expected to have a material impact on the Corporation's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 – Uncertainty over Income Tax Treatments specifies how to reflect uncertainty in accounting for income taxes and is mandatory for the accounting period beginning on January 1, 2019. There was no impact on the measurement of taxes as a consequence of this adoption.

Annual Improvements to IFRS Standards

On December 12, 2017, the IASB issued narrow-scope amendments to three standards as part of its annual improvements process. The amendments are effective on or after January 1, 2019. Each of the amendments has its own specific transition requirements. Amendments were made to the following standards:

- IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements – to clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 – Income Taxes – to clarify that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits; and
- IAS 23 – Borrowing Costs – to clarify that specific borrowings – i.e. funds borrowed specifically to finance the construction of a qualifying asset – should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed. They also clarify that an entity includes funds borrowed specifically to obtain an asset other than a qualifying asset as part of general borrowings.

Mullen Group has adopted these amendments in its financial statements effective January 1, 2019. The extent of the impact of adoption of the amendments is not material.

(c) New Standards and Interpretations not yet adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by the IASB. There have been no new standards or interpretations issued during 2020 that significantly impact Mullen Group.

(d) Investment Properties

Investment properties consist of real property that are held to earn rental income and are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition or the development of real property held to earn rental income. Subsequent to initial measurement, investment properties are measured using the cost model and are recorded at cost less accumulated depreciation. Depreciation is recorded annually on the buildings included within real property held to earn rental income on the declining balance basis at a rate of 2.5 percent per annum.

(e) Foreign Currency

Transactions in foreign currencies are translated to Canadian dollars, Mullen Group's functional currency, at the exchange rate on the date of the transactions. At each reporting date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) Impairment of Assets

Assets are assessed at the end of each reporting period to determine if any indication of impairment exists. If any such indication exists, Mullen Group estimates the recoverable amount of the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash flows of other assets. Recoverability is measured by comparing the carrying amount of the asset or the CGU to which the asset belongs to the higher of its FVLCD and its VIU. VIU is calculated using the estimated discounted future cash flows expected to be generated by the asset or its CGU. Mullen Group estimates FVLCD based upon current market prices for similar assets. If the carrying amount of the asset, or its respective CGU, exceeds its estimated recoverable amount, the difference is recognized as an impairment charge.

Impairment losses are recognized in net income. An impairment loss in respect of goodwill is irreversible. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amounts of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis.

Mullen Group's corporate assets, which do not generate separate cash inflows, are allocated to the CGUs on a reasonable basis for impairment testing purposes.

(g) Financial Instruments

(i) Mullen Group has adopted IFRS 9 (2010) Financial Instruments as it relates to classification and measurement of financial assets and financial liabilities. Mullen Group adopted IFRS 9 (2010) as it is consistent with Mullen Group's objective and approach to managing its financial assets and financial liabilities.

(ii) *Non-Derivative Financial Assets*

Financial Assets	Initial Measurement	Subsequent Measurement
Cash and cash equivalents	Fair value	Amortized cost
Trade and other receivables	Fair value	Amortized cost
Investments	Fair value	FVTPL
Investments – equity method	Fair value	Equity method
Other assets	Fair value	Amortized cost

Cash and cash equivalents are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortized cost using the effective interest method.

Mullen Group initially recognizes trade and other receivables and other assets on the date that they originate. Impairment of trade and other receivables is recognized in selling and administrative expenses. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss, or a portion of such is reversed. The amount of the impairment loss reversed may not exceed the original impairment amount.

Mullen Group initially measures investments at fair value. Subsequent to initial recognition these financial assets are measured at FVTPL at the end of each reporting period. The purchase and sale of investments are recognized at the trade date of such transaction. When control of a Business Unit is lost, any retained interest is re-measured to its fair value with any resulting gain or loss being recognized within the statement of comprehensive income. As such, a gain or loss is recognized on the portion retained in addition to the gain or loss on the portion no longer owned.

Mullen Group initially recognizes equity investments at fair value. Subsequent to initial recognition these financial assets are measured using the equity method. Mullen Group uses the equity method to account for investments in which it has significant influence or joint control. Under the equity method, Mullen Group recognizes its share of profits or losses of the investee within the statement of comprehensive income. Dividends received from equity investments are recognized as a reduction in the carrying amount of the investment.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Mullen Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Mullen Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by Mullen Group is recognized as a separate asset or liability.

(iii) *Non-Derivative Financial Liabilities*

Financial Liabilities	Initial Measurement	Subsequent Measurement
Accounts payable and accrued liabilities(1)	Fair value	Amortized cost
Dividends payable	Fair value	Amortized cost
Long-term debt	Fair value	Amortized cost
Convertible debentures – debt component	Fair value	Amortized cost

(1) Includes $0.2 million of contingent consideration which is subsequently measured at fair value.

Financial liabilities are recognized initially on the trade date at which Mullen Group becomes a party to the contractual provisions of the instrument. Financial liabilities that are not designated at FVTPL are initially measured at fair value plus or minus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, Mullen Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Mullen Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Accounts payable and accrued liabilities and dividends payable are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method.

Mullen Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. Mullen Group's long-term debt is comprised of a series of unsecured debt as follows: U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, CDN. $30.0 million of Series I Notes, CDN. $3.0 million of Series J Notes, CDN. $58.0 million of Series K Notes and CDN. $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**").

In June 2019, Mullen Group issued an aggregate principal amount of $125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"). The component parts of the Debentures issued by the Corporation were classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the debt component was estimated using the prevailing market interest rate for similar non-convertible instruments. This amount was recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The fair value of the conversion option (labelled Convertible debentures – equity component) was determined at issue date by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This conversion option is recognized net of income tax effects as equity and is not subsequently re-measured. In addition, the conversion option remains in equity until the conversion option is exercised, in which case, the balance recognized in equity is transferred to share capital. No gain or loss is recognized in the statement of comprehensive income upon conversion or expiration of the conversion option. As such, a proportionate amount of any unamortized debt issuance costs and accretion related to the Debentures converted into Common Shares is transferred to share capital on the conversion date.

(iv) Derivative Financial Instruments

Derivatives consist of financial contracts that derive their value from underlying changes in foreign exchange rates, interest rates, credit spreads or other financial measures. Mullen Group uses Derivatives such as Cross-Currency Swaps (as hereafter defined on page 25) as part of its foreign exchange risk management strategy. Derivatives are measured initially at fair value. Subsequent to initial recognition, Derivatives are measured at FVTPL and are recorded in the statement of comprehensive income. Mullen Group has not designated any Derivatives as hedges for accounting purposes.

(v) Asset Retirement Obligations

Asset retirement obligations are measured at the present value of the expenditures expected to be incurred to remediate, reclaim and abandon the Corporation's disposal wells and related facilities in future periods. The Corporation uses an estimated inflation rate and a risk-free interest rate in the measurement of the present value of its asset retirement obligations. The associated asset retirement cost is capitalized within property, plant and equipment and is amortized over its estimated useful life. Any revisions to the estimated timing, amount of cash flows, inflation rate or risk-free interest rate are recognized as a change in the asset retirement obligation and the asset retirement cost. Accretion expense is recognized in the consolidated statement of comprehensive income within other (income) expense. The estimated future costs of the Corporation's asset retirement obligations are reviewed and adjusted as required at the end of each reporting period.

(vi) Equity

Common Shares are presented in share capital within equity. Incremental costs directly attributable to the issue of Common Shares and share options are recognized as a deduction from share capital, net of any tax effects. When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs net of any tax effects, is recognized as a deduction from share capital. When Common Shares are repurchased and cancelled, the stated value is deducted from share capital and the resulting surplus or deficit on the transaction is recorded against contributed surplus or retained earnings within equity.

(h) Provisions

A provision is recognized in the financial statements when Mullen Group has an obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to exist, then the estimated amount of the provision is determined by discounting the expected future cash outflows.

(i) Finance costs

Finance costs encompass interest expense on financial liabilities and accretion expense on debt and are recognized as an expense in the period in which they are incurred. Finance costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that purchase.

(j) Employee Benefits

(i) Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under Mullen Group's profit share plans when a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

(k) Acquisitions

Acquisitions of businesses are accounted for using the acquisition method. Acquired assets and assumed liabilities are recognized at their fair values at the acquisition date. For those acquisitions that include a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and subsequent changes in such fair value amounts are recognized in net income. Acquisition-related costs are recognized in net income as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Mullen Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

4. Determination of Fair Values

A number of Mullen Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in Note 2 and in notes specific to that asset or liability.

Financial instruments measured at fair value on the statement of financial position require classification into one of the following levels of the fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(a) Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(b) Property, Plant and Equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on fair values at date of acquisition. The fair value of items of property, plant and equipment is based on market or cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(c) Intangible Assets

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(d) Investments

The fair value of financial assets designated as measured at fair value, is determined by reference to their quoted closing price at the reporting date. Other than investments accounted for by the equity method, the fair value of all of Mullen Group's investments were determined using Level 1 of the fair value hierarchy.

(e) Derivative Financial Instruments

The fair value of Derivatives is determined using Level 2 of the fair value hierarchy. Level 2 fair values are determined by referencing observable market data, including future foreign currency curves, interest rates, credit spreads and other financial measures. Transaction costs are recognized in net income as incurred.

(f) Accounts Payable and Accrued Liabilities

The fair value of accounts payable and accrued liabilities is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(g) Non-Derivative Financial Liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(h) Private Placement Debt

The fair value of Private Placement Debt is determined using Level 2 of the fair value hierarchy. Level 2 values are determined by referencing observable market data, including changes to interest rates and foreign exchange fluctuations.

(i) Convertible debentures – debt component

The fair value of convertible debentures – debt component is determined using Level 1 of the fair value hierarchy. Level 1 values are determined using quoted prices in active markets.

Fair Values Versus Carrying Amounts

The following tables compare the fair value of financial assets and financial liabilities to its corresponding carrying amount as presented in the consolidated statement of financial position:

December 31, 2020 **Financial Instrument**		**Carrying Amount**		**Fair Value**
Cash and cash equivalents	**$**	**105,340**	**$**	**105,340**
Trade and other receivables		**192,453**		**192,453**
Investments (excluding investments accounted for by using the equity method)		**1,179**		**1,179**
Other assets		**1,400**		**1,400**
Total financial assets	**$**	**300,372**	**$**	**300,372**
Bank indebtedness	**$**	**—**	**$**	**—**
Accounts payable and accrued liabilities		**88,153**		**88,153**
Dividends payable		**2,906**		**2,906**
Private Placement Debt		**461,713**		**462,755**
Convertible debentures - debt component		**111,111**		**117,974**
Total financial liabilities	**$**	**663,883**	**$**	**671,788**

December 31, 2019 **Financial Instrument**		**Carrying Amount**		**Fair Value**
Cash and cash equivalents	$	79,023	$	79,023
Trade and other receivables		211,209		211,209
Investments (excluding investments accounted for by using the equity method)		2,154		2,154
Other assets		3,459		3,459
Total financial assets	$	295,845	$	295,845
Bank indebtedness	$	—	$	—
Accounts payable and accrued liabilities		90,028		90,028
Dividends payable		5,241		5,241
Private Placement Debt		467,392		408,836
Convertible debentures – debt component		108,764		112,240
Total financial liabilities	$	671,425	$	616,345

5. Acquisitions

2020 Acquisitions

Pacific Coast Express Limited – On August 1, 2018, Mullen Group acquired 40.0 percent of the issued and outstanding shares of PCX for $2.0 million. Mullen Group used the equity method to account for this investment and recognized $1.6 million of earnings from August 1, 2018 until September 1, 2020. On September 1, 2020, Mullen Group acquired all of the remaining issued and outstanding shares of PCX including two of PCX's operating facilities, one in Calgary, Alberta and one in Winnipeg, Manitoba for cash consideration of $14.4 million. Mullen Group recorded $14.4 million of cash used to acquire PCX in its consolidated statement of cash flows, which consists of $14.2 million of cash consideration paid on closing and $0.2 million of bank indebtedness acquired. The fair value of PCX was $18.4 million on the date control was obtained resulting in a $0.4 million gain on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. PCX is based out of the Lower Mainland of British Columbia and provides expedited handling of international less-than-truckload ("**LTL**") and truckload shipments to and from western Canada. Mullen Group acquired PCX as part of its strategy to invest in the transportation sector in western Canada. The financial results of PCX's operations are included in the Less-Than-Truckload segment.

International Warehousing & Distribution Inc. – In October 2020, Mullen Group announced an agreement to acquire all of the issued and outstanding shares of IWD for total cash consideration of $5.7 million. IWD is based out of Mississauga, Ontario and provides sufferance warehousing and distribution services in Ontario. Mullen Group acquired IWD as part of its strategy to invest in the warehousing and transportation sector in eastern Canada. The acquisition of IWD expands our service offering to the greater Toronto, Ontario market. The financial results of IWD's operations are included in the Logistics & Warehousing segment.

2019 Acquisitions

Argus Carriers Ltd. and Inter-Urban Delivery Service Ltd. – On July 1, 2019, Mullen Group acquired all of the issued and outstanding shares of Argus Carriers Ltd. ("**Argus**") and Inter-Urban Delivery Service Ltd. ("**Inter-Urban**") for total cash consideration of $20.0 million. Mullen Group recorded $14.2 million of cash used to acquire all of the issued and outstanding shares of Argus and Inter-Urban on its consolidated statement of cash flows, which consists of $20.0 million of total consideration less $5.8 million allocated to the repayment of shareholder loans. Both Argus and Inter-Urban provide transportation and logistics services in the Lower Mainland of British Columbia. Mullen Group acquired Argus and Inter-Urban as part of its strategy to invest in transportation and logistics companies that have a strong regional LTL presence centrally located to serve consumers in large urban centres. Argus and Inter-Urban's financial results were included in the Less-Than-Truckload segment.

Jen Express Inc. – On May 1, 2019, Mullen Group acquired the business and assets of Jen Express Inc. ("**Jen Express**") for cash consideration of $1.5 million. Included in this amount is $0.3 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to $0.3 million for achieving certain financial targets over the two year period ending May 1, 2021. Mullen Group has estimated the fair value of this contingent consideration to be $0.3 million. In 2020, Jen Express achieved certain financial targets and the vendor received $0.1 million of contingent consideration. The vendor may receive the remaining $0.2 million of contingent consideration in 2021 if certain financial targets are met. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. Located in Stettler, Alberta, Jen Express offers LTL services and has been integrated into the operations of Hi-Way 9 Express Ltd., whose financial results were included in the Less-Than-Truckload segment.

These acquisitions have been accounted for by the acquisition method, and results of operations have been included in these Annual Financial Statements from the dates of acquisition. The goodwill acquired in these acquisitions primarily relates to the assembled workforce and the synergies from the integration of the acquired businesses.

	PCX	IWD	2020	2019
Assets:				
Non-cash working capital items	$ **1,641**	$ **411**	$ **2,052**	$ 772
Property, plant and equipment	**11,111**	**229**	**11,340**	3,663
Right-of-use assets	**1,544**	**443**	**1,987**	2,531
Intangible assets	**10,175**	**4,625**	**14,800**	17,131
Goodwill (not deductible for tax purposes)	**1,048**	**1,585**	**2,633**	3,430
Other assets	**—**	**19**	**19**	—
	25,519	**7,312**	**32,831**	27,527
Assumed liabilities:				
Lease liabilities	**815**	**282**	**1,097**	2,531
Long-term debt[(1)]	**3,200**	**20**	**3,220**	—
Due to shareholder	**—**	**—**	**—**	5,767
Deferred income taxes	**3,029**	**1,269**	**4,298**	3,530
	7,044	**1,571**	**8,615**	11,828
Net assets before cash and cash equivalents	**18,475**	**5,741**	**24,216**	15,699
Cash and cash equivalents (bank indebtedness)	**(179)**	**289**	**110**	(95)
Net assets	**18,296**	**6,030**	**24,326**	15,604
Consideration:				
Cash	**14,296**	**6,030**	**20,326**	15,304
Fair value of equity investment	**4,000**	**—**	**4,000**	—
Contingent consideration	**—**	**—**	**—**	300
	$ **18,296**	$ **6,030**	$ **24,326**	$ 15,604

(1) Long-term debt consisted of $3.2 million (2019 – nil) of a debenture owing to the Corporation from PCX and $20,000 (2019 – nil) of debt assumed within IWD.

6. Cash and Cash Equivalents

Policy: Cash and cash equivalents are comprised of cash and highly liquid short-term investments originally maturing within three months or less, net of bank indebtedness used for operational purposes. Bank indebtedness is repayable on demand and forms an integral part of the Corporation's cash management and is therefore included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Supporting information:

		December 31 2020		December 31 2019
Cash[(1)]	**$**	**105,340**	$	79,023
Bank indebtedness		**—**		—
Cash and cash equivalents (bank indebtedness)	**$**	**105,340**	$	79,023

[(1)] *Includes $0.4 million (2019 – $0.8 million) of cash held in escrow.* ***▶ For more information, refer to Note 5.***

Cash and cash equivalents are comprised of cash and bank indebtedness held at Canadian financial institutions that are rated AA- and A-1 S&P Credit Rating as at December 31, 2020. Mullen Group has a $150.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). As at December 31, 2020, there were no amounts drawn on this facility.

7. Trade and Other Receivables

Policy: The Corporation applies an expected credit loss approach in determining provisions for financial assets (other than equity instruments) carried at amortized cost or fair value through net income and total comprehensive income. The approach that the Corporation has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased.

Estimates: The Corporation calculates the expected credit losses on accounts receivable using a provision matrix which is based on the Corporation's historical credit loss experience for accounts receivable to estimate the lifetime expected credit losses. The provision matrix specifies fixed provision rates depending on the number of days that a trade receivable is past due.

Supporting information:

		December 31 2020		December 31 2019
Trade receivables	**$**	**171,221**	$	182,023
Other receivables[(1)]		**19,450**		26,907
Net investment in finance leases[(2)]		**1,085**		788
Contract assets		**697**		1,491
	$	**192,453**	$	211,209

[(1)] *Includes $2.9 million (2019 – $11.2 million) of amounts due from related parties. Mullen Group has entered into a $2.7 million (2019 – $8.0 million) debenture agreement with Thrive (as hereafter defined on page 112). At December 31, 2020, there was $2.7 million (2019 – $7.8 million) drawn on this debenture. The debenture with Thrive matures in 2021 and has therefore been classified as a current asset. In 2019, Mullen Group had a $3.2 million debenture agreement with PCX. This debenture is now eliminated upon consolidation after the Corporation obtained control of PCX in 2020.* ***▶ For more information, refer to Note 5.***

[(2)] *Net investment in finance leases includes amounts owing within 12 months or less and mainly consisted of the net investment in subleases on real property where the Business Unit has entered into the head lease.*

A contract asset is recognition of Mullen Group's right to consideration in exchange for goods or services we have transferred to a customer that is conditional on something other than the passage of time. For Mullen Group, the majority of the contract assets consists of amounts recognized on a transportation contract that has been partially transported but not yet delivered to destination at period end.

The classification between current and non-current assets in respect of trade and other receivables was as follows:

		December 31 2020		December 31 2019
Current	**$**	**192,453**	$	211,209
Non-current	**$**	**—**	$	—

The aging of trade receivables and allowance for doubtful accounts was as follows:

		December 31 2020		December 31 2019
Current 0-30 days	**$**	**92,426**	$	94,931
Past due 31-60 days		**50,183**		56,728
Past due 61-90 days		**18,151**		17,689
More than 90 days		**16,902**		20,485
		177,662		189,833
Allowance for doubtful accounts		**(6,441)**		(7,810)
Total trade receivables (net of impairment)	**$**	**171,221**	$	182,023

The change in the allowance for doubtful accounts in respect of trade and other receivables during the year was as follows:

		2020		2019
Balance at January 1	**$**	**7,810**	$	5,911
Acquired during the year		**14**		7
Bad debts recognized		**(725)**		(1,193)
Allowance for doubtful accounts recorded		**1,219**		3,641
Allowance for doubtful accounts reversed		**(1,877)**		(556)
Balance at December 31	**$**	**6,441**	$	7,810

The expected credit loss allowance calculated as at December 31, 2020, was $6.4 million, which represents a decrease of $1.4 million as compared to the allowance calculated in the prior year.

8. Inventory

Inventory consists primarily of repair parts, fuel and items for resale.

Policy: Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a weighted average basis and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses.

Supporting information:

		December 31 2020		December 31 2019
Inventory of repair parts and fuel	**$**	**20,205**	$	24,128
Inventory for resale		**9,867**		8,887
	$	**30,072**	$	33,015

9. Property, Plant and Equipment

Estimates: Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each asset's useful life and residual value. The estimated useful life and residual value chosen are Mullen Group's best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows.

Judgements: Mullen Group's depreciation and amortization methods for trucks and trailers as well as other property, plant and equipment and intangible assets are based on management's judgement in selecting methods that most accurately match the pattern of economic benefits consumed by the Corporation from the use of such assets. These judgements are based upon industry norms and Mullen Group's historical experience.

Policy: Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When the cost of a part of an item of property, plant and equipment is significant in relation to the total cost of an item and the parts have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The costs of day-to-day servicing of property, plant and equipment are recognized in direct operating expenses. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other (income) expense. Depreciation of additions and disposals is prorated from the month of purchase or disposal. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. Except for Leasehold improvements, depreciation is recorded annually over the estimated useful lives of the assets on the declining balance basis at the following depreciation rates:

Buildings	2.5 - 8%
Trucks and trailers	10 - 20%
Equipment, satellite communication equipment, furniture and fixtures, automobiles, computer hardware and systems software ("**Miscellaneous Equipment**")	20 - 30%

Supporting information:

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Drilling equipment	Total
Cost					
Balance at January 1, 2020	**$ 571,429**	**$ 787,854**	**$ 280,655**	**$ 30,150**	**$ 1,670,088**
Additions[(1)]	**32,458**	**17,576**	**25,413**	**677**	**76,124**
Disposals	**(12,287)**	**(30,045)**	**(13,609)**	**—**	**(55,941)**
Balance at December 31, 2020	**591,600**	**775,385**	**292,459**	**30,827**	**1,690,271**
Accumulated Depreciation					
Balance at January 1, 2020	**76,294**	**426,100**	**196,579**	**16,511**	**715,484**
Depreciation expense	**8,430**	**41,385**	**21,232**	**1,370**	**72,417**
Disposals	**(2,136)**	**(24,660)**	**(9,941)**	**—**	**(36,737)**
Balance at December 31, 2020	**82,588**	**442,825**	**207,870**	**17,881**	**751,164**
Net book value at December 31, 2020	**$ 509,012**	**$ 332,560**	**$ 84,589**	**$ 12,946**	**$ 939,107**

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Drilling equipment	Total
Cost					
Balance at January 1, 2019	$ 552,696	$ 780,052	$ 269,792	$ 30,150	$ 1,632,690
Additions[(1)]	18,805	39,867	20,643	—	79,315
Disposals	(72)	(32,065)	(9,780)	—	(41,917)
Balance at December 31, 2019	571,429	787,854	280,655	30,150	1,670,088
Accumulated Depreciation					
Balance at January 1, 2019	68,449	396,323	187,246	14,989	667,007
Depreciation expense	7,896	54,241	16,817	1,522	80,476
Disposals	(51)	(24,464)	(7,484)	—	(31,999)
Balance at December 31, 2019	76,294	426,100	196,579	16,511	715,484
Net book value at December 31, 2019	$ 495,135	$ 361,754	$ 84,076	$ 13,639	$ 954,604

(1) *Additions include property, plant, and equipment purchased by way of business acquisitions of $11.3 million (2019 – $3.7 million).* ▶ ***For more information, refer to Note 5.***

At December 31, 2020, land and buildings include $46.4 million (2019 – $32.0 million) of investment properties held to earn rental income. The total cost and accumulated depreciation associated with investment properties was $53.0 million (2019 – $35.5 million) and $6.6 million (2019 – $3.5 million), respectively. Mullen Group generated $2.5 million of rental income (2019 – $2.6 million) from investment properties. At December 31, 2020, the fair market value of investment properties was $70.4 million (2019 – $55.0 million).

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. In 2020, the Corporation did not record an impairment loss on property, plant and equipment. During the year ended December 31, 2019, the Corporation recorded an impairment loss of $7.3 million that was recorded as additional depreciation. This impairment losses related to specialty equipment within the Specialized & Industrial Services segment after an assessment of market conditions for such equipment.

10. Right-of-Use Assets

Policy: As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. Right-of-use assets are depreciated over the shorter of the assets useful life and the lease term on a straight line basis. ▶ **For more information, refer to Note 19**.

Supporting information:

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2020	$ **39,126**	$ **8,676**	$ **47,802**
Additions	**8,034**	**475**	**8,509**
Subleases[(1)]	**(223)**	**—**	**(223)**
Disposals	**(3,359)**	**(1,806)**	**(5,165)**
Balance at December 31, 2020	**43,578**	**7,345**	**50,923**
Accumulated Depreciation			
Balance at January 1, 2020	**8,609**	**2,394**	**11,003**
Depreciation expense	**9,508**	**2,052**	**11,560**
Disposals	**(2,571)**	**(1,255)**	**(3,826)**
Balance at December 31, 2020	**15,546**	**3,191**	**18,737**
Net book value at December 31, 2020	**$ 28,032**	**$ 4,154**	**$ 32,186**

(1) Net investment in finance leases mainly related to subleases on real property.

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2019[(1)]	$ 39,462	$ 2,716	$ 42,178
Additions	5,126	5,980	11,106
Subleases[(2)]	(3,484)	(20)	(3,504)
Disposals[(3)]	(1,978)	—	(1,978)
Balance at December 31, 2019	39,126	8,676	47,802
Accumulated Depreciation			
Balance at January 1, 2019	—	—	—
Depreciation expense	9,316	2,394	11,710
Disposals	(707)	—	(707)
Balance at December 31, 2019	8,609	2,394	11,003
Net book value at December 31, 2019	$ 30,517	$ 6,282	$ 36,799

(1) Includes $42.2 million of the initial lease liabilities with a corresponding amount recorded in right-of-use assets.
(2) Includes $3.5 million of net investment in finance leases, which mainly related to subleases on real property.
(3) Includes $0.9 million of lease inducements on real property.

11. Goodwill

In general terms, goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

Estimates: The recoverability of Goodwill that involves estimating future cash flows involving Mullen Group's best estimate of the set of economic conditions that are expected to exist over the forecast period, considering past and actual performance as well as expected developments in the perspective markets and in the overall macro-economic environment, forecasted changes in drilling activity and the Business Unit's respective markets. The fair value of each CGU was determined using Level 3 of the fair value hierarchy.

Judgements: Estimating future cash flows requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. In addition, the allocation of shared corporate and administrative assets to our CGU's requires certain judgements. Key assumptions are detailed below.

Policy: Mullen Group measures goodwill as the fair value of the consideration transferred, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that Mullen Group incurs in connection with a business combination are expensed as incurred.

For the purpose of calculating goodwill, fair values of acquired assets, assumed liabilities and contingent liabilities are determined by reference to market values or by discounting expected future cash flows to present value. This discounting is either performed using market rates or by using risk free interest rates and risk adjusted expected future cash flows.

Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at the CGU level and is determined based upon the recoverable amount of each CGU compared to the CGU's respective carrying amount. At Mullen Group, the CGUs consist of each of its Business Units. The recoverable amount is the higher of FVLCD and the VIU. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the CGU. Impairment losses in respect of goodwill are irreversible.

Supporting information:

The changes in the carrying amount of goodwill are shown below:

		2020		2019
Gross amount of goodwill	**$**	**1,266,707**	$	1,263,277
Accumulated impairment		**998,000**		998,000
Balance at January 1	**$**	**268,707**	$	265,277
Goodwill acquired during the year		**2,633**		3,430
Impairment of goodwill		**—**		—
Balance at December 31	**$**	**271,340**	$	268,707

At December 31, 2020, the Less-Than-Truckload segment had a carrying value of $120.2 million of goodwill in 2020 as compared to $119.2 million in 2019. This $1.0 million increase was a result of recognizing goodwill on the PCX acquisition. The Logistics & Warehousing segment had a carrying value of $71.8 million of goodwill, an increase of $1.6 million from the $70.2 million recorded in 2019. This $1.6 million increase was a result of recognizing goodwill on the IWD acquisition. The Specialized & Industrial Services segment had a carrying value of $79.3 million of goodwill in 2020 as compared to $79.3 million in 2019. ▶ **For more information, refer to Note 5**.

The following table summarizes the significant carrying amounts of goodwill:

		December 31 2020		**December 31 2019**
Cash Generating Unit				
Gardewine Group Limited Partnership	**$**	**79,875**	$	79,875
Kleysen Group Ltd.		**34,099**		34,099
Hi-Way 9 Express Ltd.		**23,902**		23,902
Heavy Crude Hauling L.P.		**16,989**		16,989
Tenold Transportation Ltd.[(1)]		**15,209**		15,209
E-Can Oilfield Services L.P.		**12,094**		12,094
Canadian Dewatering L.P.		**11,674**		11,674
Other CGUs		**77,498**		74,865
Total Goodwill	**$**	**271,340**	$	268,707

(1) In 2020, the Corporation reclassified the carrying amount of $3.6 million relating to the goodwill of Argus, Inter-Urban and Number 8 Freight Ltd. to their respective CGUs from Tenold Transportation Ltd. The comparative amounts in 2019 have been restated to conform with the current year's presentation.

(a) Impairment Testing for Cash Generating Units Containing Goodwill

At December 31, 2020 and 2019 ("**Valuation Dates**"), Mullen Group performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of its CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount. Recognition of any impairment of goodwill would be recognized as an expense and reduce book equity and net income but it would not impact cash flows.

At March 31, 2020, the carrying amount of Mullen Group's net assets exceeded its market capitalization. One indication that an asset may be impaired occurs when the carrying amount of the net assets of an entity is more than its market capitalization. At March 31, 2020, the Corporation performed an impairment test for goodwill within certain CGUs, including revising revenue projections downwards and increasing the discount rate, and concluded that there was no impairment of goodwill as the recoverable amount for these CGUs was higher than their respective carrying amount.

(b) Recoverable Amount

The recoverable amounts were determined using the VIU approach. The VIU methodology is based on discounted future cash flows. Management believes that the discounted future cash flows method is appropriate as it allows more precise valuation of the specific future cash flows. The recoverable amount was determined using a discounted cash flow approach for all CGUs. The recoverable value was determined by discounting the future cash flows generated from Mullen Group's continuing use of the CGU. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.

Estimating future earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. The calculation of the recoverable amount using the discounted cash flow approach was based on the following key assumptions:

	Discount rate		**Terminal value growth rate**	
	December 31 2020	**December 31 2019**	**December 31 2020**	**December 31 2019**
Cash Generating Unit				
Gardewine Group Limited Partnership	**10.5%**	10.5%	**2.0%**	2.0%
Kleysen Group Ltd.	**10.5%**	10.5%	**2.5%**	2.5%
Hi-Way 9 Express Ltd.	**11.0%**	11.0%	**2.5%**	2.5%
Tenold Transportation Ltd.	**11.0%**	11.0%	**2.5%**	—
Heavy Crude Hauling L.P.	**12.0%**	12.0%	**2.0%**	2.0%
E-Can Oilfield Services L.P.	**12.0%**	12.0%	**2.0%**	2.0%
Canadian Dewatering L.P.	**12.0%**	12.0%	**2.5%**	2.5%
Other	**11.0% - 12.0%**	11.0% - 12.0%	**2.0% - 2.5%**	2.0% - 2.5%

(i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using constant growth rates of between 1.5 to 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the Business Unit's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.

(ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.

(iii) Each CGU's discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

The Corporation believes that the following changes in the key assumptions would result in a recoverable amount equal to the carrying value of the CGU, with any additional change in the assumptions causing goodwill to become impaired.

	Change in discount rate		**Change in terminal value growth rate**	
	December 31 2020	**December 31 2019**	**December 31 2020**	**December 31 2019**
Cash Generating Unit				
Gardewine Group Limited Partnership	**4.0%**	4.1%	**(6.0)%**	(6.1)%
Kleysen Group Ltd.	**6.3%**	6.4%	**(10.7)%**	(10.3)%
Hi-Way 9 Express Ltd.	**9.7%**	12.8%	**(18.5)%**	(29.2)%
Tenold Transportation Ltd.	**4.4%**	6.5%	**(6.9)%**	(8.4)%
Heavy Crude Hauling L.P.	**1.6%**	3.5%	**(2.2)%**	(5.4)%
E-Can Oilfield Services L.P.	**3.2%**	3.0%	**(4.8)%**	(4.4)%
Canadian Dewatering L.P.	**9.4%**	8.9%	**(18.7)%**	(17.5)%

12. Intangible Assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements acquired through business combinations. In 2020, Mullen Group acquired $14.8 million and $0.2 million of intangible assets by virtue of the PCX and IWD acquisitions, and from purchasing a customer list, respectively. Intangible assets are amortized over their estimated useful lives on a straight line basis over a period of five to ten years.

Policy: Intangible assets acquired as part of acquisitions are capitalized at fair value as determined at the date of acquisition and are subsequently stated at that capitalized cost less accumulated amortization and impairment losses.

Supporting information:

		Opening balance at January 1 2019		Additions (Amortization)		Closing balance at December 31 2019		Additions (Amortization)		Closing balance at December 31 2020
Cost	$	289,716	$	17,491	$	307,207	$	15,024	**$**	**322,231**
Amortization		(239,446)		(19,305)		(258,751)		(17,613)		**(276,364)**
Carrying amount	$	50,270			$	48,456			**$**	**45,867**

13. Investments

		December 31 2020		December 31 2019
Investments	**$**	**1,179**	$	2,154
Investments – equity method		**34,582**		36,337
	$	**35,761**	$	38,491

(a) Investments

Mullen Group periodically invests in certain private and public corporations. Mullen Group did not purchase any investments in 2020 or 2019. There were no investments sold in 2020 as compared to selling $0.7 million of investments in 2019.

(b) Investments accounted for by the equity method

In 2018 Mullen Group invested $2.0 million to acquire a 40.0 percent equity interest in PCX, a regional LTL company operating out of a number of facilities in western Canada. Mullen Group made this equity investment as part of its strategy to invest in the transportation sector in western Canada. The Corporation granted the majority shareholder of PCX an irrevocable option to sell all of the remaining shares of PCX to Mullen Group at a price to be agreed upon by both parties once certain financial targets have been achieved. On September 1, 2020, Mullen Group acquired all of the remaining issued and outstanding shares of PCX. ▶ **For more information, refer to Note 5**. In 2017, Mullen Group invested $0.2 million to acquire a 30.0 percent equity interest in Thrive Fluid Management Corp., a fluid management company operating in the Grande Prairie, Alberta region. On December 31, 2018, Thrive Fluid Management Corp. changed its name to Thrive Management Group Ltd. ("**Thrive**"). Mullen Group made this equity investment as part of its strategy to invest in the energy sector. In 2014, Mullen Group acquired a 30.0 percent interest in Kriska Transportation Group Limited ("**Kriska Transportation**"). Kriska Transportation is a growth oriented transportation and logistics company based in Prescott, Ontario. At December 31, 2020, the Corporation had a carrying value of $29.9 million (2019 – $28.6 million) related to its equity investment in Kriska Transportation. Mullen Group uses the equity method to account for investments from the date in which it obtains significant influence. In 2020, the aggregate amount of Mullen Group's share of net income and total comprehensive income from its investments accounted for by the equity method was $1.8 million (2019 – $2.9 million). In 2020, revenue and operating income before depreciation and amortization on the Corporation's equity investments was $253.7 million (2019 – $275.1 million) and $47.9 million (2019 – $42.6 million), respectively. ▶ **For more information, refer to Note 28.**

14. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. At December 31, 2020, the carrying value of these Cross-Currency Swaps was $37.9 million (2019 – $41.4 million) and was recorded in the consolidated statement of financial position within derivative financial instruments.

Estimates: Mullen Group utilizes Derivatives such as Cross-Currency Swaps to manage its exposure to foreign currency risks relating to its U.S. dollar debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads.

Policy: Mullen Group adopted IFRS 9 (2010) – Financial Instruments as it relates to classification and measurement of financial assets and financial liabilities in advance of its effective date. ▶ **For more information, refer to Note 3(g).**

Supporting information:

For the year ended December 31, 2020, Mullen Group recorded a net foreign exchange gain of $2.4 million (2019 – $14.1 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Foreign Exchange (Gain) Loss	**CDN. $ Equivalent**	
	Years ended December 31	
	2020	**2019**
Foreign exchange (gain) loss on U.S. $ debt	**$ (5,862)**	$ (14,976)
Foreign exchange loss (gain) on Cross-Currency Swaps	**3,469**	836
Net foreign exchange (gain) loss	**$ (2,393)**	$ (14,140)

For the year ended December 31, 2020, Mullen Group recorded a foreign exchange gain on U.S. dollar debt of $5.9 million (2019 – $15.0 million) as summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Years ended December 31**					
	2020			**2019**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – December 31	**229,000**	**1.2732**	**291,563**	229,000	1.2988	297,425
Beginning – January 1	**229,000**	**1.2988**	**297,425**	229,000	1.3642	312,401
Foreign exchange (gain) loss on U.S. $ debt			**(5,862)**			(14,976)

For the year ended December 31, 2020, Mullen Group recorded a foreign exchange loss on its Cross-Currency Swaps of $3.5 million (2019 – $0.8 million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Years ended December 31**			
	2020		**2019**	
	U.S. $ Swaps	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117,000**	**1,916**	117,000	1,153
Cross-Currency Swap maturing October 22, 2026	**112,000**	**1,553**	112,000	(317)
Foreign exchange loss (gain) on Cross-Currency Swaps		**3,469**		836

15. Other Assets

	December 31 2020	**December 31 2019**
Promissory notes	**725**	767
Net investment in finance leases(1)	**212**	2,284
Other	**463**	408
	$ 1,400	$ 3,459

(1) Net investment in finance leases includes amounts owing after 12 months and mainly consists of the net investment in subleases on real property where the Business Unit has entered into the head lease.

16. Accounts Payable and Accrued Liabilities

Policy: Accounts payable and accrued liabilities are obligations to pay for goods or services that have been purchased in the normal course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supporting information:

		December 31 2020		**December 31 2019**
Trade payables	**$**	**28,821**	$	30,322
Amounts due to related parties		**38**		17
Non-trade payables and accrued liabilities		**59,294**		59,689
	$	**88,153**	$	90,028

17. Dividends Payable

For the year ended December 31, 2020, Mullen Group declared dividends totalling $0.33 per Common Share (2019 – $0.60 per Common Share). On February 12, 2020, Mullen Group announced its intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2020. On March 20, 2020, Mullen Group announced the temporary suspension of the monthly dividend of $0.05 per Common Share for three months, effective April 1, 2020. On July 22, 2020, the Corporation announced that it will resume the monthly dividend by paying $0.03 per Common Share on a monthly basis. At December 31, 2020, Mullen Group had 96,852,047 Common Shares outstanding and a dividend payable of $2.9 million (December 31, 2019 – $5.2 million), which was paid on January 15, 2021. Mullen Group also declared a dividend of $0.04 per Common Share on January 22, 2021, to the holders of record at the close of business on January 31, 2021.

18. Income Taxes

Estimates: The realization of deferred tax assets depends on the future taxable income of the respective Mullen Group subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates.

Policy: Income tax expense for the period consists of current and deferred tax. Tax is recognized in net income, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Taxable income differs from net income as reported in the consolidated statement of comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where Mullen Group operates.

In general, deferred income taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the Annual Financial Statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent it is probable that future taxable income will be generated and available to use against the deductible temporary differences, unused tax losses and unused tax credits. Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

The provision for income tax expense differs from the amounts that would be obtained by applying the expected Canadian statutory tax rates enacted or substantively enacted as at the respective reporting dates.

Supporting information:

Deferred tax assets totalling $9.1 million (2019 – $8.1 million) consist mainly of the temporary differences arising from the purchase of goodwill on asset acquisitions, intangible assets and from loss carry forward balances. Recognized deferred tax assets and liabilities consist of the following:

December 31, 2020		Assets		Liabilities		Net
Property, plant and equipment	**$**	**105**	**$**	**(98,923)**	**$**	**(98,818)**
Goodwill – asset acquisitions		**5,571**		**(2,068)**		**3,503**
Intangible assets		**1,410**		**(10,157)**		**(8,747)**
Investments		**—**		**(1,944)**		**(1,944)**
Loss carry-forwards		**1,884**		**—**		**1,884**
Financing fees		**—**		**(218)**		**(218)**
Holdbacks and deferred interest		**—**		**(330)**		**(330)**
Debentures		**—**		**(2,250)**		**(2,250)**
Unrealized foreign exchange gain		**—**		**(920)**		**(920)**
Right-of-use assets		**102**		**(481)**		**(379)**
	$	**9,072**	**$**	**(117,291)**	**$**	**(108,219)**

December 31, 2019		Assets		Liabilities		Net
Property, plant and equipment	$	149	$	(100,452)	$	(100,303)
Goodwill – asset acquisitions		5,891		(2,002)		3,889
Intangible assets		910		(9,763)		(8,853)
Investments		—		(1,852)		(1,852)
Loss carry-forwards		778		—		778
Financing fees		148		—		148
Holdbacks and deferred interest		—		(448)		(448)
Debentures		—		(2,660)		(2,660)
Right-of-use-assets		194		(392)		(198)
	$	8,070	$	(117,569)	$	(109,499)

The analysis of the components of net deferred tax is as follows:

	Years ended December 31			
		2020		**2019**
Deferred tax to be settled within 12 months	**$**	**(8,345)**	$	(7,457)
Deferred tax to be settled after more than 12 months		**(99,874)**		(102,042)
	$	**(108,219)**	$	(109,499)

The following tables summarize the movement of temporary differences during the period:

		Balance January 1 2020		Recognized in net income		Acquired in business combinations		Recognized directly in equity		Balance December 31 2020
Property, plant and equipment	**$**	**(100,303)**	**$**	**1,818**	**$**	**(333)**	**$**	**—**	**$**	**(98,818)**
Goodwill – asset acquisitions		**3,889**		**(386)**		**—**		**—**		**3,503**
Intangible assets		**(8,853)**		**4,071**		**(3,965)**		**—**		**(8,747)**
Investments		**(1,852)**		**(92)**		**—**		**—**		**(1,944)**
Loss carry-forwards		**778**		**1,106**		**—**		**—**		**1,884**
Financing fees		**148**		**(366)**		**—**		**—**		**(218)**
Holdbacks and deferred interest		**(448)**		**118**		**—**		**—**		**(330)**
Debentures		**(2,660)**		**410**		**—**		**—**		**(2,250)**
Unrealized foreign exchange gain		**—**		**(920)**		**—**		**—**		**(920)**
Right-of-use assets		**(198)**		**(181)**		**—**		**—**		**(379)**
	$	**(109,499)**	**$**	**5,578**	**$**	**(4,298)**	**$**	**—**	**$**	**(108,219)**

		Balance January 1 2019		Recognized in net income		Acquired in business combinations		Recognized directly in equity		Balance December 31 2019
Property, plant and equipment	$	(109,770)	$	9,337	$	130	$	—	$	(100,303)
Goodwill – asset acquisitions		4,857		(968)		—		—		3,889
Intangible assets		(10,395)		5,203		(3,661)		—		(8,853)
Investments		(933)		(919)		—		—		(1,852)
Loss carry-forwards		844		(66)		—		—		778
Financing fees		649		(501)		—		—		148
Holdbacks and deferred interest		(190)		(258)		—		—		(448)
Debentures		—		627		—		(3,287)		(2,660)
Right-of-use-assets		—		(198)		—		—		(198)
	$	(114,938)	$	12,257	$	(3,531)	$	(3,287)	$	(109,499)

Income tax expense of $22.1 million (2019 – $7.9 million) is comprised of current and deferred tax as follows:

	Years ended December 31			
		2020		2019
Current	**$**	**27,733**	$	20,153
Deferred		**(5,578)**		(12,257)
	$	**22,155**	$	7,896

The combined statutory tax rate was approximately 26.0 percent in 2020 (2019 – 27.0 percent). The reconciliation of the effective tax rate is as follows:

	Years ended December 31			
		2020		2019
Income before income taxes	**$**	**86,134**	$	80,137
Combined statutory tax rate		**26%**		27%
Expected income tax		**22,395**		21,637
Add (deduct):				
Non-deductible (taxable) of net foreign exchange (gain) loss		**—**		(1,874)
Non-deductible (taxable) of the change in fair value of investments		**65**		(2)
Stock-based compensation expense		**265**		367
Decrease in income tax due to changes in income tax rates		**(131)**		(9,469)
Changes in unrecognized deferred tax asset		**—**		(1,874)
Other		**(439)**		(889)
Income tax expense	**$**	**22,155**	$	7,896

19. Lease Liabilities

Estimates: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Mullen Group's incremental borrowing rate. Generally, Mullen Group uses its incremental borrowing rate as the discount rate, which is estimated at the inception of the lease. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Mullen Group's incremental borrowing rate as at January 1, 2019. Mullen Group's incremental borrowing rate is estimated using prevailing interest rates, market precedents and Mullen Group's credit rating.

Judgements: Mullen Group assesses whether a contract is or contains a lease at inception of the contract. For contracts entered into before January 1, 2019, it was determined whether the arrangement was or contained a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether Mullen Group obtains substantially all the economic benefits from the use of that asset, and whether Mullen Group has the right to direct the use of the asset. Furthermore, Mullen Group assesses and reassess the likelihood of it exercising renewal options.

Policy: Under IFRS 16 – Leases, the Corporation has recognized lease liabilities in relation to leases. Mullen Group assesses whether a contract is or contains a lease at inception of the contract. As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. As lease payments are made there is a reduction to the principal portion of the lease liability as well as an amount allocated to finance costs. Finance costs are expensed within the consolidated statement of comprehensive income over the lease term. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. ▶ **For more information, refer to Note 10.**

The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. The Corporation is using the following practical expedients permitted under the standard:

(i) Leases with a remaining lease term of less than twelve months as short-term leases; and

(ii) Leases of low dollar value are expensed as incurred.

Effective January 1, 2019, Mullen Group adopted IFRS 16 – Leases which resulted in the initial recognition of right-of-use assets and lease liabilities of approximately $42.2 million.

Supporting information:

		Year ended December 31, 2020
Beginning – January 1, 2020	$	**40,686**
Additions		**8,509**
Disposals		**(1,638)**
Lease payments		**(13,723)**
Interest expense		**1,198**
Ending balance – December 31, 2020		**35,032**
Less:		
Lease liabilities – current portion		**11,439**
Lease liabilities	$	**23,593**

		Year ended December 31, 2019
Beginning – January 1, 2019	$	42,178
Additions		11,105
Disposals		(464)
Lease payments		(13,512)
Interest expense		1,379
Ending balance – December 31, 2019		40,686
Less:		
Lease liabilities – current portion		10,711
Lease liabilities	$	29,975

The following are the contractual maturities of lease liabilities, including the value of any options to extend a lease where Mullen Group is reasonably certain to do so:

		December 31, 2020
Twelve months or less	$	**12,385**
2022 – 2023		**13,645**
2024 – 2025		**6,441**
Thereafter		**5,017**
Contractual cash flows	$	**37,488**
Carrying amount	$	**35,032**

Mullen Group's lease liabilities mainly relate to real property leases that are utilized by the Business Units within their operations. Certain Business Units have also entered into leases pertaining to various pieces of operating equipment including rail cars, trucks and trailers. Leases are entered into and terminated when they meet specific business requirements. The Corporation has recognized these lease liabilities, which are measured at the present value of the remaining lease payments at an average incremental borrowing rate of 3.2 percent.

On adoption of IFRS 16 – Leases, the Corporation has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, service contracts, short-term and low-value leases, and discounted using the Corporation's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted by the amount of any lease inducements and subleases relating to the lease recognized in the statement of financial position immediately before the date of transition, with no impact on retained earnings (deficit). There was no impact to lessor accounting from the adoption of IFRS 16 – Leases.

For the year ended December 31, 2020, Mullen Group incurred variable lease payments, short-term and low dollar value lease expense of $3.9 million (2019 – $4.2 million), $5.5 million (2019 – $6.0 million) and $0.05 million (2019 – $0.07 million), respectively. The Corporation also recognized $0.02 million (2019 – $0.05 million) of sublease income during the period.

20. Convertible Unsecured Subordinated Debentures

In June 2019, Mullen Group issued Debentures at a price of $1,000 per Debenture. The Debentures mature on November 30, 2026 and are publicly-traded and listed on the TSX under the symbol 'MTL.DB'. The Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on May 31 and November 30 of each year, with the first interest payment on November 30, 2019. Mullen Group may elect to satisfy its interest obligation on any interest payment date by issuing and delivering, subject to regulatory approval, Common Shares to debenture holders. Each $1,000 Debenture is convertible into 71.4286 Common Shares of Mullen Group (or a conversion price of $14.00) at any time at the option of the holders of the Debentures. As at the date of issuance, an aggregate of 8,928,575 Common Shares would be issued if all holders converted their principal amount. In the event that a holder of the Debentures exercises their conversion right, such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the date of the last interest payment to the date of conversion.

The Debentures shall not be redeemable by the Corporation prior to November 30, 2023. On or after November 30, 2023 and prior to November 30, 2025, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125.0 percent of the conversion price. On or after November 30, 2025 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest if any, up to but excluding the date set for redemption.

The Debentures are comprised of both a debt and equity component. The debt component represents the total discounted present value of both the semi-annual interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. In the event the Debentures are converted prior to maturity, the difference between the carrying amount of such Debentures and their face value would be charged to interest expense. The remaining equity component of the Debentures represents the difference between the face value of the Debentures (namely, $125.0 million) and the accounting value assigned to the debt component of the Debentures at the date of issue (namely, $112.6 million). Subject to the impact of the Debentures being converted, this equity component amount will remain constant over the term of the Debentures. Upon conversion of the Debentures into common shares, a proportionate amount of both the debt and equity components are transferred to Shareholders' capital. Accretion and interest expense on the Debentures are reflected as finance costs in the consolidated statement of comprehensive income.

The transaction costs associated with the Debentures were $5.2 million and are being amortized over the term of the Debentures. If the holders of the Debentures convert the principal portion to Common Shares prior to maturity, the unamortized transaction costs would be expensed at that time.

As subordinated debt, the accounting value assigned to the Debentures including any related interest expense is excluded from our financial covenant calculations under our Private Placement Debt.

The details of the Debentures are as follows:

		December 31, 2020				December 31, 2019			
Year of Maturity	**Interest Rate**		**Face Value**		**Carrying Amount**		**Face Value**		**Carrying Amount**
2026	5.75%	**$**	**125,000**	**$**	**111,111**	$	125,000	$	108,764

The cumulative carrying amount of the Debentures is as follows:

	Cumulative as at			
		December 31, 2020		**December 31, 2019**
Proceeds from issue of the Debentures	**$**	**125,000**	$	125,000
Debt issuance costs		**(5,203)**		(5,203)
Net proceeds		**119,797**		119,797
Amount classified as equity		**(12,403)**		(12,403)
Accretion on debt		**3,717**		1,370
Carrying amount of the Debentures	**$**	**111,111**	$	108,764

21. Long-Term Debt and Credit Facility

On October 24, 2018, Mullen Group entered into an agreement with its lender to amend the amount available to be borrowed on its Bank Credit Facility. The amount available to be borrowed on the Bank Credit Facility was increased by $50.0 million to $125.0 million. On June 21, 2019, the amount available to be borrowed on the Bank Credit Facility was increased by $25.0 million to $150.0 million. Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at December 31, 2020, no amounts were drawn on this facility. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, Mullen Group cannot be in default of its Private Placement Debt and it must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has $3.9 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

Mullen Group's long-term debt is mainly comprised of a series of Private Placement Debt, the details of which are set forth below:

Notes		Principal amount	Maturity	Interest Rate[(1)]
Series G	$	117,000 U.S.	October 22, 2024	3.84%
Series H	$	112,000 U.S.	October 22, 2026	3.94%
Series I	$	30,000 CDN.	October 22, 2024	3.88%
Series J	$	3,000 CDN.	October 22, 2026	4.00%
Series K	$	58,000 CDN.	October 22, 2024	3.95%
Series L	$	80,000 CDN.	October 22, 2026	4.07%

(1) Interest is payable semi-annually.

Mullen Group's unamortized debt issuance costs of $0.8 million related to its Private Placement Debt have been netted against its carrying value at December 31, 2020 (December 31, 2019 – $1.0 million). Mullen Group has certain financial covenants that must be met under its unsecured Private Placement Debt, which include a total net debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio. Mullen Group's total net debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total net debt**" means all debt excluding the Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position but includes the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve month consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) depreciation and amortization taken during such period, (iii) total interest charges, including interest on the Debentures and lease liabilities; and (iv) non-cash charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

Mullen Group entered into Cross-Currency Swaps to swap the Series G and Series H Notes into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. ▶ **For more information, refer to Note 14**.

The following table summarizes the Corporation's total debt:

		December 31, 2020		December 31, 2019
Current liabilities:				
Private Placement Debt	**$**	**—**	$	—
Lease liabilities – current portion		**11,439**		10,711
Current portion of long-term debt		**16**		—
Bank Credit Facility		**—**		—
		11,455		10,711
Non-current liabilities:				
Private Placement Debt		**461,713**		467,392
Lease liabilities		**23,593**		29,975
		485,306		497,367
	$	**496,761**	$	508,078

The details of long-term debt, as at the date hereof, are as follows:

			December 31, 2020		December 31, 2019	
	Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	**$**	$	$
Bank Credit Facility	—	Variable	**—**	**—**	—	—
Lease liabilities	2021 – 2028	3.20%	**37,488**	**35,032**	43,754	40,686
Private Placement Debt	2024 – 2026	3.84% - 4.07%	**462,563**	**461,713**	468,425	467,392
Various financing loans	2021	1.90%	**16**	**16**	—	—
			500,067	**496,761**	512,179	508,078

22. Share Capital

The authorized share capital of Mullen Group consists of an unlimited number of no par value Common Shares and an unlimited number of Preferred Shares, issuable in series.

The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board of Directors (the "**Board**") of Mullen Group prior to the creation and issuance thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Mullen Group, whether voluntarily or involuntarily, the Preferred Shares are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series. As at the date hereof, no series of Preferred Shares had been created.

All of the issued Common Shares of Mullen Group have been paid in full.

	# of Common Shares	
	2020	**2019**
Issued Common Shares at January 1	**104,824,973**	104,824,973
Common Shares repurchased and cancelled	**(7,972,926)**	—
Issued Common Shares at December 31	**96,852,047**	104,824,973

On March 4, 2020, Mullen Group announced a normal course issuer bid ("**NCIB**"), commencing March 9, 2020, to purchase for cancellation up to 7,972,926 Common Shares in the open market on or before March 8, 2021. As at December 31, 2020, Mullen Group had purchased and cancelled 7,972,926 Common Shares for $53.4 million under this NCIB program.

All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange, with consideration allocated to share capital up to the average carrying amount of the shares and any excess allocated to contributed surplus. The NCIB can be cancelled at the discretion of the Corporation at any time.

23. Earnings per Share

Policy: Basic per share amounts are calculated using the weighted average number of Common Shares outstanding during the period. Diluted per share amounts are calculated considering the effects of all dilutive potential ordinary shares. Mullen Group's dilutive potential ordinary shares assumes dilutive stock options are exercised and that the proceeds obtained on the exercise of dilutive stock options would be used to purchase Common Shares at the average market price during the period. The weighted average number of Common Shares outstanding is then adjusted accordingly.

Supporting information:

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the year ended December 31, 2020, was $64.0 million (2019 – $72.2 million). The weighted average number of Common Shares outstanding for the years ended December 31, 2020 and 2019 was calculated as follows:

		Years ended December 31	
	Note	2020	2019
Issued Common Shares at beginning of period	22	104,824,973	104,824,973
Effect of Common Shares repurchased and cancelled	22	(4,200,746)	—
Weighted average number of Common Shares at end of period – basic		100,624,227	104,824,973

(b) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting net income attributable to common shareholders and the basic weighted average number of Common Shares outstanding by the effects of all potentially dilutive transactions to existing common shareholders. In calculating diluted earnings per share, net income was adjusted as follows:

	Years ended December 31	
	2020	2019
Net income	$ 63,979	$ 72,241
Effect on finance costs from conversion of Debentures (net of tax)	—	—
Net income – adjusted	$ 63,979	$ 72,241

The diluted weighted average number of Common Shares was calculated as follows:

	Years ended December 31	
	2020	2019
Weighted average number of Common Shares – basic	100,624,227	104,824,973
Effect of "in the money" stock options	—	—
Effect of the Debentures	—	—
Weighted average number of Common Shares at end of period – diluted	100,624,227	104,824,973

For the year ended December 31, 2020, 2,995,000 stock options (2019 – 3,280,000) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended December 31, 2020 and 2019. For the years ended December 31, 2020 and 2019, the 8,928,575 Common Shares that would be issued upon conversion of the Debentures were excluded in the diluted weighted average calculation as their effect was anti-dilutive. ▶ **For more information on Debentures and stock options, refer to Notes 20 and 27, respectively**.

24. Revenue

Policy: Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Mullen Group recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

Mullen Group's primary service offering is the transportation of goods. The transportation of goods involves the physical process of transporting commodities and goods from point of origin to destination using company equipment and contracted owner operators. Each individual Business Unit offers published rates or signed master service agreements with specific customers that dictate future services it is to perform for a customer at the time a bill of lading or service request is received. Each bill of lading represents a separate distinct performance obligation that the company is obligated to satisfy. The transaction price is generally in the form of a fixed fee determined at the inception of the bill of lading. Transportation services revenue is recognized using the "over time" method.

Mullen Group's second highest revenue stream is logistics services. Logistics services involves the planning, implementing, and controlling the efficient, effective forward and reverse transport of goods. These services are governed by contract law. Mullen Group uses Subcontractors to perform the work. Subcontractors have their own insurance and operating authorities. When Mullen Group hires a Subcontractor, it remains the primary obligor, has the ability to set prices, retains the risk of loss in the event of a cargo claim and bears the credit risk of customer default. As such, Mullen Group acts as the principal of the arrangement and recognize revenue on a gross basis. Logistics services revenue is recognized using the "point in time" method.

The business of Mullen Group is operated through its Business Units, which are divided into three distinct operating segments for reporting purposes – Less-Than-Truckload, Logistics & Warehousing and Specialized & Industrial Services. The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, technology and systems support, shared services and strategic planning (the "**Corporate Office**") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("**MT**"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased by MT to the Business Units on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level. ▶ **For more information, refer to Notes 32 and 34**.

At December 31, 2020, the Less-Than-Truckload segment consisted of 9 Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

At December 31, 2020, the Logistics & Warehousing segment consisted of 10 Business Units and provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

At December 31, 2020, the Specialized & Industrial Services segment consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

Disaggregation of revenue:

The following tables detail Mullen Group's revenue by type of service and timing of the transfer of goods or services by segment and has been restated on a retrospective basis for comparative purposes:

Year ended December 31, 2020	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	$	$	$	$	$	$
Revenue by service line						
Transportation	**429,278**	**206,852**	**191,552**	**—**	**—**	**827,682**
Logistics	**16,798**	**75,502**	**7,342**	**—**	**—**	**99,642**
Other[(1)]	**5,405**	**84,087**	**166,529**	**3,142**	**—**	**259,163**
Eliminations	**(7,689)**	**(4,434)**	**(3,382)**	**—**	**(6,651)**	**(22,156)**
	443,792	**362,007**	**362,041**	**3,142**	**(6,651)**	**1,164,331**
Timing of revenue recognition						
Over time	**429,511**	**211,319**	**265,440**	**2,539**	**—**	**908,809**
Point in time	**21,970**	**155,122**	**99,983**	**603**	**—**	**277,678**
Eliminations	**(7,689)**	**(4,434)**	**(3,382)**	**—**	**(6,651)**	**(22,156)**
	443,792	**362,007**	**362,041**	**3,142**	**(6,651)**	**1,164,331**

[(1)] Included within other revenue is $34.3 million of rental revenue comprised of $0.2 million, $4.5 million, $27.1 million and $2.5 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively.

Year ended December 31, 2019	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	Corporate	Intersegment eliminations	Total
	$	$	$	$	$	$
Revenue by service line						
Transportation	433,490	236,967	217,300	—	—	887,757
Logistics	17,379	96,859	4,764	—	—	119,002
Other[(1)]	6,116	76,482	207,640	3,881	—	294,119
Eliminations	(5,403)	(5,468)	(3,392)	—	(8,113)	(22,376)
	451,582	404,840	426,312	3,881	(8,113)	1,278,502
Timing of revenue recognition						
Over time	433,663	241,191	297,425	2,585	—	974,864
Point in time	23,322	169,117	132,279	1,296	—	326,014
Eliminations	(5,403)	(5,468)	(3,392)	—	(8,113)	(22,376)
	451,582	404,840	426,312	3,881	(8,113)	1,278,502

[(1)] Included within other revenue is $40.1 million of rental revenue comprised of $0.2 million, $4.2 million, $33.1 million and $2.6 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment and Corporate, respectively.

During the year, 92.7 percent of revenue was from the rendering of services, 4.6 percent of revenue was from the sale of goods and 2.7 percent was from construction contracts as compared to 93.4 percent, 3.9 percent, and 2.7 percent, respectively, for the year ended December 31, 2019.

25. Personnel Costs

	Years ended December 31	
	2020	2019
Wages, salaries and benefits	**$ 335,176**	$ 383,186
Stock-based compensation expense	**1,104**	1,383
	$ 336,280	$ 384,569

In 2020 personnel costs of $236.1 million (2019 – $271.8 million) were recognized within direct operating expenses and $100.2 million (2019 – $112.8 million) were recognized within selling and administrative expenses.

26. Finance Costs

	Years ended December 31	
	2020	**2019**
Interest expense on financial liabilities measured at amortized cost	**$ 27,355**	$ 24,449
Accretion on debt	**2,531**	1,553
Finance expense	**29,886**	26,002
Less: Interest income from cash and cash equivalents	**(1,422)**	(2,377)
Finance costs	**$ 28,464**	$ 23,625

27. Share-Based Compensation Plans

Mullen Group is permitted to grant stock options to directors, officers, employees and consultants of Mullen Group or its affiliates under its stock option plan ("**Stock Option Plan**"). Options under the Stock Option Plan are normally granted at the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five to ten years from the date of grant.

Estimates: Mullen Group estimates the fair value of its stock options using the Black-Scholes option pricing model. This requires the estimation of certain variables including: the expected risk-free interest rate, the expected life of the stock option, the forfeiture rate, the expected dividend yield of Mullen Group's Common Shares and expected share price volatility.

Judgement: The estimation of certain variables within the Black-Scholes model require judgement. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. In determining the expected term of the option grants, Mullen Group has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant. The expected forfeiture rate was determined based on the Corporation's prior historical forfeiture rates on the date of grant. This estimate is adjusted to reflect the actual experience. The expected dividend yield of Mullen Group's Common Shares over the expected term of the option was determined based on the Corporation's dividend policy on the date of grant. The expected stock price volatility at the time of the particular stock option grant, Mullen Group relies on observations of historical volatility trends.

Policy: Mullen Group accounts for stock-based compensation using the fair-value method of valuing any stock options granted using the Black-Scholes model. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus less an estimated forfeiture rate. The forfeiture rate is based on past experience of actual forfeitures. When options are exercised, the proceeds received by Mullen Group, along with the amount in contributed surplus, will be credited to share capital.

Supporting information:

On May 3, 2017, Mullen Group's shareholders approved a resolution to amend the Stock Option Plan. The amendment increases the number of Common Shares reserved for issuance by 4,000,000. As such, 3,772,500 (2019 – 3,487,500) options are available to be issued under the Stock Option Plan as at December 31, 2020. Each stock option will entitle the option-holder to acquire one Common Share of Mullen Group. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to five years and expire in five to ten years.

Volatility was determined on the basis of the daily closing prices over a historical period corresponding to the expected term of the options.

Stock Option Plan:	**Options**	**Weighted average exercise price**
Outstanding December 31, 2018	3,462,500	$ 19.15
Granted	—	—
Exercised	—	—
Forfeited	(182,500)	(17.91)
Outstanding December 31, 2019	3,280,000	$ 19.22
Granted	—	—
Exercised	—	—
Forfeited	(285,000)	(17.50)
Outstanding December 31, 2020	**2,995,000**	**$ 19.38**
Stock options exercisable December 31, 2019	2,794,981	$ 19.66
Stock options exercisable December 31, 2020	**2,990,000**	**$ 19.39**

The range of exercise prices for options outstanding at December 31, 2020 was as follows:

	Options Outstanding				Exercisable Options		
Range of Exercise Prices	Number	Weighted average remaining contractual life (years)		Weighted average exercise price	Number		Weighted average exercise price
$16.15 to $16.72	1,320,000	6.86	$	16.72	1,315,000	$	16.72
$16.73 to $20.77	1,150,000	3.21		20.35	1,150,000		20.35
$20.78 to $28.07	525,000	2.21		23.94	525,000		23.94
$16.15 to $28.07	2,995,000	4.64	$	19.38	2,990,000	$	19.39

There were no stock options issued in 2020 or 2019.

28. Other (Income) Expense

	Years ended December 31			
		2020		**2019**
Change in fair value of investments	**$**	**975**	$	(15)
Loss on sale of property, plant and equipment		**5,023**		2,667
Gain on fair value of equity investment		**(432)**		—
Earnings from equity investments		**(1,813)**		(2,870)
Accretion on asset retirement obligations		**26**		17
Other (income) expense	**$**	**3,779**	$	(201)

► ***For more information on the gain on fair value of equity investment, refer to Note 5.***

29. Contingent Liabilities

Mullen Group is involved in various claims and actions arising in the course of its operations and is subject to various legal actions and possible claims. Although the outcome of these claims cannot be predicted with certainty, Mullen Group does not expect these matters to have a material adverse effect on its financial position, cash flows or results from operations. Accruals for litigation, claims and assessments are recognized if Mullen Group determines that the loss is probable and the amount can be reasonably estimated. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Mullen Group's consolidated net earnings in the period in which the outcome is determined.

30. Capital Commitments

Capital expenditures approved and committed to but not provided for in these accounts at December 31, 2020, amounted to $13.1 million. These capital expenditure commitments will be completed in fiscal 2021.

31. Financial Instruments

Mullen Group's operating activities expose it to a variety of financial risks. These financial risks consist of certain credit, liquidity, and market risks associated with Mullen Group's financial assets and financial liabilities. Mullen Group has established and follows certain policies and procedures to mitigate these risks and continually monitors its exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative financial instruments for trading or speculative purposes. The following details Mullen Group's exposure to credit, liquidity, and market risks.

(a) Credit Risk

Credit risk is the possibility of a financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from Mullen Group's trade and other receivables from its customers. The carrying amount of financial assets represents Mullen Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

Carrying amount	Note		December 31 2020		December 31 2019
Cash and cash equivalents	6	**$**	**105,340**	$	79,023
Trade and other receivables	7		**192,453**		211,209
Derivative financial instruments	14		**37,906**		41,375
Other assets	15		**1,400**		3,459
		$	**337,099**	$	335,066

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its trade and other receivables aging

on an ongoing basis as part of its process in managing its credit risk. Mullen Group also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. In the unlikely event of default by its customers, Mullen Group secures a security interest for items in possession prior to commencing work and registers liens when appropriate. Further, the federal *Bill of Lading Act,* its provincial counterparts and various other acts afford Mullen Group further protection in the event of default. Mullen Group also attends industry forums to assess credit worthiness of customers related predominately to the oil and natural gas industry. No customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2020 and 2019.

Impairment losses arise when trade receivables are written off directly against the financial asset, which results from customers who cannot pay their outstanding balance. In 2020 an impairment loss of $0.7 million (2019 – $1.2 million) was recognized which related to customers that were not able to pay their outstanding balances, mainly due to the customer having insufficient cash or other financial assets. During the period, the impairment loss as a percentage of consolidated revenue was less than 0.07 percent (2019 – 0.09 percent). Mullen Group establishes, on a specific account basis, an allowance for impairment loss that represents its estimate of potential losses in respect of trade receivables. ▶ **For more information, refer to Note 7**.

(b) Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to satisfy its obligations associated with its financial liabilities that are to be settled by delivering cash as they become due. Mullen Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit facilities to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Mullen Group manages liquidity risk by preparing, monitoring and approving annual operating budgets to ensure it has sufficient cash to meet operational requirements, and to ensure its ongoing compliance with its Private Placement Debt covenants. The Board also considers liquidity risk when approving Mullen Group's annual net capital expenditure budget and when declaring dividends to shareholders. Mullen Group's surplus cash is invested in short-term highly liquid term deposits. At December 31, 2020, Mullen Group did not have any amounts drawn on its $150.0 million Bank Credit Facility. ▶ **For more information, refer to Note 21**.

The following are the contractual maturities of financial liabilities, excluding the impact of any option to purchase equipment at the end of the term:

December 31, 2020	Carrying amount	Contractual cash flows	Twelve months or less	2022 - 2023	2024 - 2025	Thereafter
Private Placement Debt*	$ 461,713	$ 462,563	$ —	$ —	$ 236,964	$ 225,599
Interest on Private Placement Debt*	3,483	90,667	18,170	36,339	27,164	8,994
Debentures	111,111	125,000	—	—	—	125,000
Interest on the Debentures	599	42,535	7,188	14,375	14,375	6,597
Lease liabilities	35,032	37,488	12,385	13,645	6,441	5,017
Various financing loans	16	16	16	—	—	—
Accounts payable and accrued liabilities(1)	84,071	84,071	84,071	—	—	—
Dividends payable	2,906	2,906	2,906	—	—	—
Total	$ 698,931	$ 845,246	$ 124,736	$ 64,359	$ 284,944	$ 371,207

* *Assumes a U.S. dollar foreign exchange rate of $1.2732.*

(1) *Accounts payable and accrued liabilities of $84,071 plus $3,483 of interest on Private Placement Debt and $599 of interest on the Debentures agrees to the $88,153 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.*

December 31, 2019	Carrying amount	Contractual cash flows	Twelve months or less	2021 - 2022	2023 - 2024	Thereafter
Private Placement Debt*	$ 467,392	$ 468,425	$ —	$ —	$ 239,960	$ 228,465
Interest on Private Placement Debt*	3,526	110,203	18,398	36,795	36,795	18,215
Debentures	108,764	125,000	—	—	—	125,000
Interest on the Debentures	599	49,714	7,188	14,375	14,375	13,776
Lease liabilities	40,686	43,754	12,125	16,615	7,381	7,633
Accounts payable and accrued liabilities(1)	85,903	85,903	85,903	—	—	—
Dividends payable	5,241	5,241	5,241	—	—	—
Total	$ 712,111	$ 888,240	$ 128,855	$ 67,785	$ 298,511	$ 393,089

* *Assumes a U.S. dollar foreign exchange rate of $1.2988.*

(1) *Accounts payable and accrued liabilities of $85,903 plus $3,526 of interest on Private Placement Debt and $599 of interest on the Debentures agrees to the $90,028 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.*

All of the above amounts relate to non-derivative financial instruments.

(c) Market Risk

Market risk is the potential for adverse changes associated with fluctuations in foreign exchanges rates, interest rates and equity prices and their corresponding impact on the fair value or future cash flows of Mullen Group's financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Foreign Exchange Risk

Foreign exchange risk arises as Mullen Group enters into commercial transactions that are not denominated in its functional currency. Mullen Group is exposed to foreign exchange risk, primarily with respect to the U.S. dollar which mainly arises from its U.S. $229.0 million Senior Guaranteed Unsecured Notes ("**U.S. Notes**"). These U.S. Notes mature in 2024 (U.S. $117.0 million) and in 2026 (U.S. $112.0 million). Mullen Group has mitigated its foreign exchange risk with respect to the principal portion of its U.S. Notes by entering into the Cross-Currency Swaps. Annual interest of U.S. $8.9 million is payable on these U.S. Notes which also exposes Mullen Group to foreign exchange risk. This foreign exchange risk is mitigated as some of Mullen Group's Business Units generate a portion of their revenue in U.S. dollars in excess of their U.S. dollar expenses. At December 31, 2020, Mullen Group had U.S. dollar cash of $24.2 million (2019 – $12.5 million), U.S. dollar trade receivables of $6.8 million (2019 – $5.1 million) and U.S. dollar accounts payable and accrued liabilities of $2.0 million (2019 – $2.9 million). Mullen Group does not hedge any of its U.S. dollar denominated commercial and financing transactions.

All of the amounts expressed in the following table are in U.S. dollars and set forth Mullen Group's exposure to foreign currency risk:

		December 31 2020		**December 31 2019**
Cash and cash equivalents	**$**	**24,224**	$	12,452
Trade and other receivables		**6,797**		5,149
Derivative financial instruments		**29,772**		31,857
Private Placement Debt		**(229,000)**		(229,000)
Accounts payable and accrued liabilities		**(2,037)**		(2,858)
Net exposure	**$**	**(170,244)**	$	(182,400)

At December 31, 2020, assuming all other variables were held constant, a $0.01 strengthening of the Canadian dollar relative to the U.S. dollar would have increased income before income taxes by approximately $1.7 million. Similarly, a $0.01 weakening of the Canadian dollar relative to the U.S. dollar at December 31, 2020 would have had the equal but opposite effect on income before income taxes.

(ii) Interest Rate Risk and Fair Value Sensitivity Analysis for Fixed Rate Instruments

Interest rate risk arises on borrowings issued at variable rates which exposes risk to future cash flows if interest rates were to rise. This risk would be partially offset by cash held at variable rates. Mullen Group's Private Placement Debt and the Debentures are issued at fixed rates while the Bank Credit Facility is issued at variable rates. Borrowings issued at fixed rates expose Mullen Group to fair value interest rate risk. Mullen Group is susceptible to the opportunity costs associated with interest rate decreases as the interest rate on the majority of its borrowings is at fixed interest rates. Assuming all other variables were held constant, if interest rates increase by 1.0 percent on the contractual cash flows of $587.6 million of Mullen Group's Private Placement Debt and the Debentures, Mullen Group would incur additional annual interest expense of approximately $5.9 million. Mullen Group does not account for any fixed rate financial assets and liabilities at FVTPL. Mullen Group does not hedge interest rates or have any interest rate swaps.

(iii) Price Risk

Price risk arises from changes in quoted prices on investments in equity securities that impact the underlying value of investments. Mullen Group has investments measured at fair value with an initial cost of $11.5 million. A $1.0 million decrease in the fair value of these investments was recorded in 2020 as compared to a $15,000 increase in 2019. Mullen Group recorded a $10.3 million decrease in the fair value of these investments on a cumulative basis. Assuming all other variables were held constant, a 1.0 percent increase in the value of the investments would have increased income before income taxes by approximately $12,000. Similarly, a 1.0 percent decrease in the value of investments would have an equal but opposite effect on income before income taxes.

(d) Capital Management

Mullen Group's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, and manage capital that will maintain compliance with its financial covenants so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Mullen Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Mullen Group may adjust the amount of dividends paid to shareholders, issue new debt, sell assets to reduce debt, or issue new shares.

Consistent with others in the industry, Mullen Group also monitors capital on the basis of debt-to-equity and total debt to operating cash flow. The debt-to-equity ratio is calculated as total debt divided by equity. Total debt is calculated as the total of bank indebtedness, current portion of long-term debt, long-term debt and the debt component of Debentures. Equity comprises all of the components of equity (i.e. share capital, Debentures – equity component, contributed surplus and retained earnings (deficit)). Mullen Group's strategy is to maintain its debt-to-equity ratio below 1:1. The debt-to-equity ratio calculations at December 31, 2020 and at December 31, 2019 were as follows:

		December 31 2020		December 31 2019
Bank indebtedness	**$**	**—**	$	—
Lease liabilities		**35,032**		40,686
Long-term debt		**461,713**		467,392
Debentures – debt component		**111,111**		108,764
Various financing loans		**16**		—
Total debt		**607,872**		616,842
Share capital		**874,888**		946,910
Debentures – equity component		**9,116**		9,116
Contributed surplus		**36,577**		16,860
Deficit		**(24,163)**		(54,965)
Equity	**$**	**896,418**	$	917,921
Debt to equity		**0.68:1**		0.67:1

Mullen Group also monitors capital on the basis of total debt to operating cash flow. The total debt to operating cash flow ratio is calculated as per the Private Placement Debt agreements. Other than the financial covenants under its Private Placement Debt, Mullen Group is not subject to externally imposed capital requirements. ▶ **For more information, refer to Note 21**.

32. Subsidiaries

The tables set forth below provide information relative to Mullen Group's significant subsidiaries and its Business Units, including each entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Mullen Group, a brief description of the entity, and the market areas served, if applicable. The percentages of ownership set forth below include the approximate one percent interest owned by the general partner of each limited partnership.

Significant Subsidiaries:

Company (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (directly / indirectly)**	**Overview**	**Primary Market Area**
MT Investments Inc. (Alberta)	100%	Wholly-owned subsidiary of Mullen Group Ltd. It was formed on July 1, 2005, when Mullen Transportation Inc. was amalgamated with certain other corporations pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) to form a corporation known as MT Investments Inc.	N/A
MGL Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on December 22, 2016. It is the limited partner of various Business Units.	N/A

Less-Than-Truckload Segment:

Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Argus Carriers Ltd.[(1)] (British Columbia)	100%	British Columbia and U.S.
Courtesy Freight Systems Ltd. (Ontario)	100%	Northwestern Ontario
Gardewine Group Limited Partnership (Manitoba)	100%	Manitoba and Ontario
Grimshaw Trucking L.P. (Alberta)	100%	Western Canada
Hi-Way 9 Express Ltd. [(2) (3) (4)] (Alberta)	100%	Western Canada
Inter-Urban Delivery Service Ltd.[(1)] (British Columbia)	100%	Lower Mainland British Columbia
Jay's Transportation Group Ltd. (Saskatchewan)	100%	Saskatchewan
Number 8 Freight Ltd. (British Columbia)	100%	Lower Mainland British Columbia
Pacific Coast Express Limited[(5)]	100%	Western Canada

[(1)] Acquired July 1, 2019.
[(2)] On January 1, 2019, the operations of Bernard Transport Ltd. were combined into Hi-Way 9 Express Ltd.
[(3)] Includes Jen Express Inc., which was acquired on May 1, 2019.
[(4)] On January 1, 2020, the operations of Load-Way Ltd. and Streamline Logistics Inc., were integrated into Hi-Way 9 Express Ltd.
[(5)] Acquired September 1, 2020.

Logistics & Warehousing Segment:

Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
24/7 The Storehouse (2015) Ltd. (British Columbia)	100%	British Columbia
Caneda Transport Ltd. (Alberta)	100%	Canada and U.S.
Cascade Carriers L.P. (Alberta)	100%	Western Canada
International Warehousing & Distribution Inc.[(1)] (Ontario)	100%	Ontario
DWS Logistics Inc. (Ontario)	100%	Ontario
Kleysen Group Ltd. (Alberta)	100%	Western Canada
Mullen Trucking Corp. (Alberta)	100%	Canada and U.S.
Payne Transportation Ltd. (Alberta)	100%	Canada and U.S.
RDK Transportation Co. Inc. (Saskatchewan)	100%	Canada and U.S.
Tenold Transportation Ltd. (Alberta)	100%	Canada and U.S.

[(1)] Acquired October 2020.

Specialized & Industrial Services Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Canadian Dewatering L.P. (Alberta)	100%	Western Canada
Cascade Energy Services L.P. (Alberta)	100%	Western Canada
Canadian Hydrovac Ltd. (Alberta)	100%	Western Canada
E-Can Oilfield Services L.P. (Alberta)	100%	Western Canada
Envolve Energy Services Corp. (Alberta)	100%	Western Canada
Formula Powell L.P. (Alberta)	100%	Western Canada
Heavy Crude Hauling L.P.(1) (Alberta)	100%	Western Canada
Mullen Oilfield Services L.P. (2) (Alberta)	100%	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Western Canada
Pe Ben Oilfield Services L.P.(3) (Alberta)	100%	Western Canada
Premay Equipment L.P. (Alberta)	100%	Western Canada
Premay Pipeline Hauling L.P. (Alberta)	100%	Western Canada
Recon Utility Search L.P. (Alberta)	100%	Western Canada
Smook Contractors Ltd. (Manitoba)	100%	Northern Manitoba
Spearing Service L.P. (Alberta)	100%	Western Canada
TREO Drilling Services L.P. (Alberta)	100%	Western Canada

(1) On April 1, 2020, the operations of R. E. Line Trucking (Coleville) Ltd. were combined into Heavy Crude Hauling L.P.
(2) On January 1, 2020, the operations of Withers L.P. were combined into Mullen Oilfield Services L.P.
(3) On March 31, 2020, Pe Ben Oilfield Services L.P. ceased operations and is no longer considered a Business Unit for reporting purposes.

33. Changes in Non-Working Capital

	Years ended December 31	
	2020	**2019**
Trade and other receivables	**$ 24,386**	$ 13,335
Inventory	**2,943**	863
Prepaid expenses	**1,986**	(3,472)
Accounts payable and accrued liabilities	**(7,442)**	(11,258)
	$ 21,873	$ (532)

	Years ended December 31	
	2020	**2019**
Changes in non-cash working capital items from:		
Operating activities	**$ 22,582**	$ (466)
Financing activities	**(44)**	(112)
Investing activities	**(665)**	46
	$ 21,873	$ (532)

34. Operating Segments

Judgements: Judgements are made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated based upon similar economic characteristic and other similarities.

Policy: Business Units are grouped into three distinct operating segments: Less-Than-Truckload segment, Logistics & Warehousing segment and Specialized & Industrial Services segment (the "**Operating Segments**"), all of which are supported by a Corporate segment. The Business Units within each of the Operating Segments share common economic characteristics and are differentiated by the type of service provided, equipment requirements and customer needs. The Operating Segments' financial results are reviewed regularly by the Corporation's chief operating decision-maker who makes decisions about resource allocation and assess segment performance based on the internally prepared segment information.

Supporting information:

As disclosed in the first quarter, Mullen Group has commenced reporting financial results in three new operating segments. These three operating segments have been differentiated by the sector of the economy in which the businesses operate, the type of services provided, the equipment requirements and the customer needs. The Less-Than-Truckload segment provides final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. The Logistics & Warehousing segment provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. The Specialized & Industrial Services segment provides specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. ▶ **For more information, refer to Note 24**.

The following tables provide financial information that conforms to the Corporation's new segment presentation on a retrospective basis for comparative purposes:

					Intersegment eliminations			
Year ended December 31, 2020	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**443,792**	**362,007**	**362,041**	**3,142**	**(734)**	**(3,949)**	**(1,968)**	**1,164,331**
Income (loss) before income taxes	**32,192**	**41,935**	**21,454**	**(9,447)**	**—**	**—**	**—**	**86,134**
Depreciation of property, plant and equipment	**15,022**	**11,283**	**40,014**	**6,098**	**—**	**—**	**—**	**72,417**
Amortization of intangible assets	**7,827**	**6,325**	**3,461**	**—**	**—**	**—**	**—**	**17,613**
Capital expenditures[(1)]	**25,169**	**7,675**	**11,465**	**22,679**	**—**	**(412)**	**(1,630)**	**64,946**
Total assets at December 31, 2020	**363,517**	**249,470**	**420,104**	**684,845**	**—**	**—**	**—**	**1,717,936**

[(1)] *Excludes business acquisitions*

					Intersegment eliminations			
Year ended December 31, 2019	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Corporate**	**Less-than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	451,582	404,840	426,312	3,881	(503)	(5,808)	(1,802)	1,278,502
Income before income taxes	30,833	33,832	3,985	11,487	—	—	—	80,137
Depreciation of property, plant and equipment	13,282	12,350	48,698	6,146	—	—	—	80,476
Amortization of intangible assets	9,215	6,094	3,996	—	—	—	—	19,305
Capital expenditures[(1)]	26,280	17,160	19,907	17,092	(7)	(670)	(4,740)	75,022
Total assets at December 31, 2019	355,764	263,161	475,028	655,339	—	—	—	1,749,292

[(1)] *Excludes business acquisitions*

Performance is measured based on segment income before income tax, as included in the internal management reports that are reviewed by Mullen Group's CEO and President. Segment income is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

35. Related Party Disclosures

(a) Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of Mullen Group, including all of its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a combination of retainer fees and meeting attendance fees. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and share-based compensation payments. Executives of Mullen Group do not have formal employment contracts. Similar to the employment processes established for all Mullen Group employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with Mullen Group. Mullen Group has no agreement or arrangement with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Business Units or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows: ▶ **For more information, refer to Note 27**.

	Years Ended December 31			
Category		**2020**		**2019**
Salaries and benefits (including profit share)	$	**1,600**	$	1,636
Share-based payments		**41**		50
Total	$	**1,641**	$	1,686

Mullen Group had no outstanding amounts owing to or amounts receivable from directors or officers at December 31, 2020, and 2019, with respect to the overall compensation program for executives. As at December 31, 2020, directors and officers of Mullen Group collectively held 5,550,064 Common Shares (2019 – 5,505,008) representing 5.7 percent (2019 – 5.3 percent) of all Common Shares of the Corporation. As at December 31, 2020, directors and officers of Mullen Group held $4.9 million (2019 – $4.8 million) of Debentures under the same terms and conditions as those issued to unrelated third parties. The majority of the Debentures outstanding at December 31, 2020 were held by Murray K. Mullen ($4.4 million). Other than these $4.9 million of Debentures, Mullen Group has no contracts with its key management personnel.

(b) Related Party Transactions

During the year, Mullen Group generated revenue of $17,418 (2019 – $16,070) and incurred expenses of $934 (2019 – $25,025) with entities that are related by virtue of David E. Mullen, a Board member having control or joint control over the other entities. There was $3,733 (2019 – nil) of accounts receivable amounts due from these related parties as at December 31, 2020.

During the year, Mullen Group generated revenue of $3.0 million (2019 – $4.9 million), incurred expenses of $0.5 million (2019 – $0.6 million) and sold $81,309 (2019 – nil) of property, plant and equipment with its equity investees, which are accounted for by the equity method of accounting. As at December 31, 2020, there was $2.9 million (2019 – $11.2 million) of accounts receivable amounts due from equity investees, including debentures and there was $37,946 (2019 – $16,554) of accounts payable amounts due to equity investees. At December 31, 2020, Mullen Group had $2.7 million (2019 – $7.8 million) of debentures owing from Thrive at an interest rate of 10.0 percent per annum calculated and payable semi-annually that mature in 2021. In 2020, Murray K. Mullen purchased a condominium in Palm Springs, California from the Corporation for $0.4 million resulting in a $0.2 million gain on sale of property, plant and equipment recognized within other (income) expense on the consolidated statement of comprehensive income.

All related party transactions were provided in the normal course of business materially under the same commercial terms and conditions as transactions with unrelated companies and recorded at the exchange amount.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

Murray K. Mullen
Chairman of the Board, Chief Executive Officer,
President and Director

Sonia Tibbatts, MBA
Lead Director

Stephen H. Lockwood, LLB
Director

Christine McGinley, CPA, CA, ICD.D
Director

David E. Mullen
Director

Philip J. Scherman, FCPA, FCA, ICD.D
Director

P. Stephen Clark, FCPA, FCMA, ICD.D
Chief Financial Officer

Richard J. Maloney
Senior Vice President

Joanna K. Scott
Corporate Secretary and
Vice President, Corporate Services

Carson Urlacher, CPA, CA
Corporate Controller

CORPORATE OFFICE

Mullen Group Ltd.
Chimney Rock Centre
121A, 31 Southridge Drive
Okotoks, Alberta T1S 2N3
Telephone: 403-995-5200
Canada/U.S.: 1-866-995-7711
Facsimile: 403-995-5296
Internet: www.mullen-group.com
Email: IR@mullen-group.com

BANKER

The Royal Bank of Canada
Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Toronto, Ontario
Telephone: 1-800-564-6253
Internet: www.investorcentre.com
Shareholder Inquiries:
www.investorcentre.com/service

ONLINE INFORMATION

To receive news releases by email,
or to review this report online,
please visit Mullen Group's website at
***www.mullen-group.com**.*

WE THINK tomorrow™