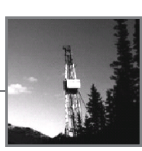
Mullen Group Ltd.

# INTERIM REPORT
## QUARTER ONE

***FOR THE PERIOD ENDED***
***- MARCH 31, 2019 -***

**EXCELLENCE** Recon Utility **STABILITY** Mullen Trucking
Gardewine Group Withers Envolve Energy
Canadian Hydrovac Premay Pipeline
Grimshaw Trucking Cascade Carriers
**OUR PEOPLE** DWS Logistics
Spearing Service RDK Transportation Heavy Crude **RELIABILITY** Cascade Energy
Caneda Transport Hi-Way 9 Jay's Transportation
**SAFETY** Formula Powell
Premay Equipment Smook Contractors
Canadian Dewatering **QUALITY**
**DIVERSITY** Treo Drilling Mullen Oilfield Courtesy Freight Systems E-Can Oilfield
OK Drilling Services PeBen Oilfield RE Line Tenold
Payne Transportation Kleysen
**INTEGRITY** **TRUST**



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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated April 24, 2019, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three month period ended March 31, 2019, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2018 (the "**Annual Financial Statements**"), together with the Management's Discussion and Analysis thereon (the "**2018 MD&A**"), and (ii) the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2019 (the "**Interim 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 are available on SEDAR at www.sedar.com and at www.mullen-group.com. These 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 Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on April 24, 2019.

## ACCOUNTING PRINCIPLES

The Interim 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**"). The Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements. 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 reduced oil and natural gas drilling, decreased oil sands and heavy oil activity, a slowdown in the general economy, currency exchange rates, change in the return on fair value of investments, prevailing interest rates, regulatory framework governing taxes and environmental matters in the jurisdictions in which the Corporation conducts and will conduct its business, customer relationships, labour disruption and driver retention, accidents, cost of liability insurance, fuel prices, ability to access sufficient capital from internal and external sources and changes in legislation including but not limited to tax laws and environmental regulations. 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 of the 2018 MD&A 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 40 of this MD&A.*

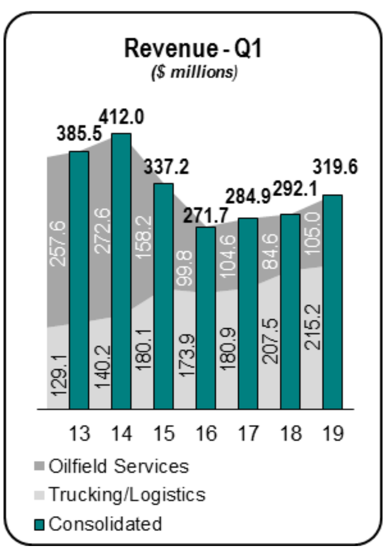
***Non-GAAP Terms*** *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. 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.*

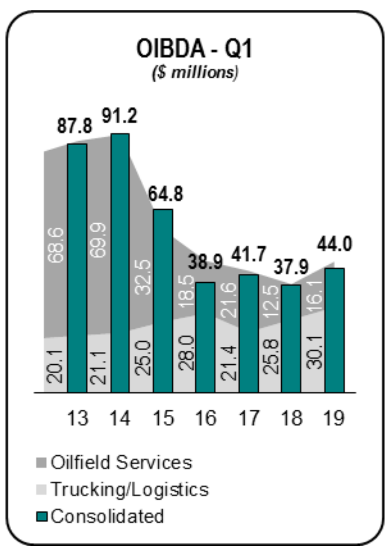
# HIGHLIGHTS FOR THE QUARTER

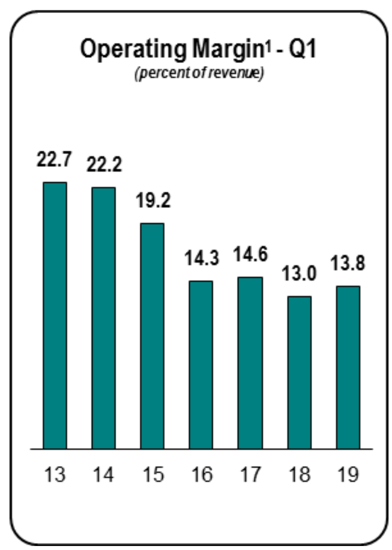
| PERFORMANCE: | | Three month periods ended March 31 | | | |
|---|---|---|---|---|---|
| *(unaudited)*<br>*($ millions, except share price and per share amounts)* | | **2019** | | **2018** | **% Change** |
| **Financial Results** | | | | | |
| Revenue | **$** | **319.6** | $ | 292.1 | 9.4 |
| Operating income before depreciation and amortization(1) | | **44.0** | | 37.9 | 16.1 |
| Net foreign exchange (gain) loss | | **(1.1)** | | 6.2 | (117.7) |
| (Increase) decrease in fair value of investments | | **(0.1)** | | 1.5 | (106.7) |
| Net income | | **11.6** | | 1.5 | 673.3 |
| Net income – adjusted(2) | | **10.6** | | 9.3 | 14.0 |
| Net cash from operating activities | | **24.2** | | 21.8 | 11.0 |
| Cash dividends declared | | **15.7** | | 15.5 | 1.3 |
| **Financial Position** | | | | | |
| Cash and cash equivalents | **$** | **2.5** | $ | 124.0 | (98.0) |
| Long-term debt (includes the current portion thereof) | | **551.9** | | 547.5 | 0.8 |
| Total assets | | **1,676.3** | | 1,753.7 | (4.4) |
| **Share Information** | | | | | |
| Cash dividends declared per Common Share | **$** | **0.15** | $ | 0.15 | — |
| Earnings per share – basic | **$** | **0.11** | $ | 0.01 | 1,000.0 |
| Earnings per share – diluted | **$** | **0.11** | $ | 0.01 | 1,000.0 |
| Earnings per share – adjusted(2) | **$** | **0.10** | $ | 0.09 | 11.1 |
| Share price – March 31 | **$** | **11.98** | $ | 14.73 | (18.7) |
| **Other Information** | | | | | |
| Net capital expenditures(2) | **$** | **14.5** | $ | 10.0 | 45.0 |
| Acquisitions | **$** | **—** | $ | 8.3 | (100.0) |

(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. OIBDA increased by approximately $3.1 million ($2.5 million in the Trucking/Logistics segment and $0.6 million in the Oilfield Services segment) in the current quarter due to the adoption of IFRS 16 – Leases effective January 1, 2019. As is permitted with this new standard, comparative information has not been restated. For more information, refer to Note 3 of the Interim Financial Statements.*

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



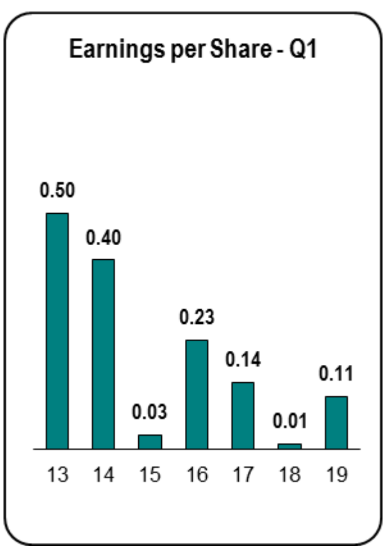

1 Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

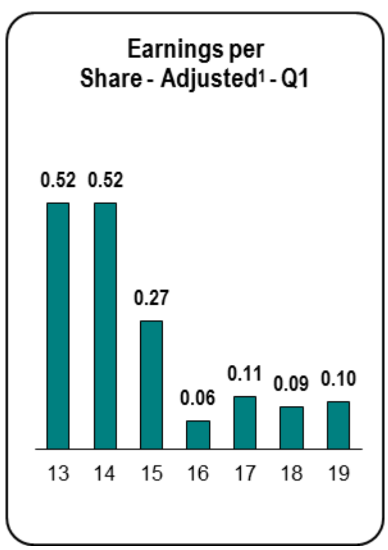
## POSITION:

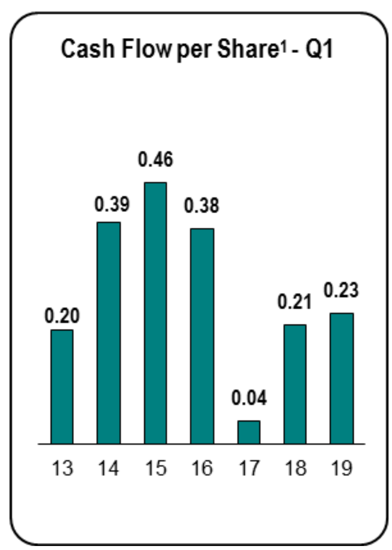
- Working capital: $124.9 million (includes $35.3 million of amounts drawn on the Bank Credit Facility and a current liability of $9.4 million related to lease liabilities)
- Net debt[1] of $382.3 million, which represents a debt to OIBDA ratio of 1.96:1
- No scheduled maturities until 2024 on our Private Placement Debt (average fixed interest rate of 3.93 percent per annum)
- Private Placement Debt of $475.8 million and net book value of property, plant and equipment of $962.0 million, which includes $554.2 million of carrying cost of owned real property
- Continued to maintain a well-structured balance sheet with approximately $175.0 million of additional debt capacity

## PROGRESS:

- Revenue growth of 9.4 percent on a year over year basis:
  - Record first quarter Trucking/Logistics segment results – revenue up 3.7 percent to $215.2 million
  - Oilfield Services segment increased by 24.1 percent to $105.0 million
- OIBDA improved by 16.1 percent from the prior year:
  - Record first quarter Trucking/Logistics segment results – OIBDA up 16.7 percent to $30.1 million
  - Oilfield Services segment increased by 28.8 percent to $16.1 million
- Continued to invest in new opportunities in both operating segments with net capital expenditures[1] increasing to $14.5 million
- Maintained our dividend at $0.05 per Common Share per month ($0.60 per Common Share annually)
- Net income – adjusted[1] increased by 14.0 percent to $10.6 million




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

# EXECUTIVE SUMMARY

Acquisitions continue to be the most rational way of attaining revenue growth during this period of stagnant economic activity in Canada, particularly in western Canada where the oil and natural gas industry is burdened by a lack of takeaway capacity and new opportunities. Over the course of the last few quarters we completed a series of transactions expanding our service network along with adding new customers in both operating segments. These investments drove our revenue growth in the quarter and more importantly will serve our Corporation well for many years we believe.

During the quarter we evaluated a number of targets, however we did not complete any new acquisitions preferring to focus on integrating and streamlining the recently acquired companies into our network. These efforts helped our bottom line which we are most pleased with given the dramatic declines in drilling activity in western Canada and the increasingly competitive marketplace. And while we are satisfied with our first quarter operating performance, we know we still have work to do over the course of the next few quarters before we can be totally confident with the integration process.

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ended March 31, 2019, are as follows:

- generated consolidated revenue of $319.6 million, an increase of $27.5 million, or 9.4 percent, as compared to $292.1 million in 2018 due to:
  - record first quarter revenue in the Trucking/Logistics segment, a $7.7 million increase to $215.2 million
  - an increase of $20.4 million or 24.1 percent in the Oilfield Services segment
- earned consolidated OIBDA of $44.0 million, an increase of $6.1 million as compared to $37.9 million in 2018 due to:
  - record first quarter OIBDA of $30.1 million in the Trucking/Logistics segment
  - an increase of $3.6 million or 28.8 percent in the Oilfield Services segment
  - a $1.8 million increase in Corporate Office (as hereafter defined on page 7) costs mainly due to lower real property income and higher salaries

***<u>First Quarter Financial Results</u>***

**Revenue increased by $27.5 million, or 9.4 percent, to $319.6 million and is summarized as follows:**

- Trucking/Logistics segment grew by $7.7 million, or 3.7 percent, to $215.2 million – a record compared to any previous first quarter period. Incremental revenue from acquisitions was $4.1 million while revenue from truckload and less than-truckload ("**LTL**") Business Units (as hereafter defined on page 7) increased modestly. Revenue growth from LTL services was mainly due to revenue gains at Gardewine Group Limited Partnership ("**Gardewine**"). Growth in truckload services mainly resulted from increased demand related to certain one-time projects.

- Oilfield Services segment increased by $20.4 million, or 24.1 percent – growth resulted from $19.4 million of incremental revenue from acquisitions and from greater demand for large diameter pipeline hauling and stringing services. These increases were partially offset by a 19.7 percent decline in drilling activity, resulting in revenue declines by those Business Units providing drilling related services.

**OIBDA increased by $6.1 million, or 16.1 percent, to $44.0 million and is summarized as follows:**

- Trucking/Logistics segment grew by $4.3 million, or 16.7 percent, to $30.1 million – a record compared to any previous first quarter period. The adoption of IFRS 16 – Leases accounted for $2.5 million of this increase while acquisitions accounted for $0.6 million of incremental growth. As a percentage of revenue, operating margin[1] increased to 14.0 percent due to the adoption of IFRS 16 – Leases and from higher margins being generated on certain project work that more than offset the rise in inflationary costs.

- Oilfield Services segment up by $3.6 million to $16.1 million – specialized services Business Units increased by $4.3 million mainly due to greater demand for large diameter pipeline hauling and stringing and dewatering services while production services Business Units improved by $2.6 million led by the acquisition of the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**"). These increases were partially offset by those Business Units tied to drilling related activity. Operating margin[1] increased to 15.3 percent from 14.8 percent in 2018 and was mainly due to a greater proportion of higher margins generated by those Business Units providing specialized services and from the synergies and integration efforts on the AECOM ISD acquisition. These improvements were somewhat offset by lower margins generated by those Business Units tied to drilling related activity.

**Net income increased by $10.1 million to $11.6 million, or $0.11 per Common Share due to:**

- A $7.3 million positive variance in net foreign exchange, a $6.1 million increase in OIBDA, a $1.6 million positive variance in the fair value of investments and a $0.5 million decrease in finance costs.

- The above was partially offset by a $2.8 million increase in depreciation of right-of-use assets, a $1.0 million increase in depreciation of property, plant and equipment, a $0.9 million increase in amortization of intangible assets and a $0.6 million increase in income tax expense.

## ***Financial Position***

The following summarizes our financial position as at March 31, 2019, along with some of the key changes that occurred during the first quarter of 2019:

- Adopted IFRS 16 – Leases which added $36.8 million in right-of-use assets, $3.3 million of net investment in finance leases (i.e. subleases on real property) and $40.8 million of lease liabilities (including the current portion).

- Exited the first quarter with working capital of $124.9 million, which included $35.3 million of borrowings on our Bank Credit Facility (as hereafter defined on page 10) and $9.4 million of current portion of lease liabilities.

- Total net debt[1] ($519.1 million) to operating cash flow ($198.5 million) (as hereafter defined on page 33) of 2.62:1 as defined per our Private Placement Debt (as hereafter defined on page 15) agreement.

- Total net debt[1] increased by $45.0 million to $519.1 million (December 31, 2018 - $474.1 million) and was mainly due to the $40.8 million of lease liabilities from adopting IFRS 16 – Leases, the $5.3 million increase in the Bank Credit Facility and the $5.3 million loss on our Cross-Currency Swaps (as hereafter defined on page 16). These factors were somewhat offset by the $6.4 million foreign exchange gain on our U.S. $229.0 million debt.

- The value of our Cross-Currency Swaps decreased by $5.3 million to $36.9 million (December 31, 2018 – $42.2 million), which swaps the principal portion of our U.S. $229.0 million debt to a Canadian currency equivalent of $254.1 million.

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

# OUTLOOK

The start to 2019 has been less than inspiring but this was anticipated given the challenges associated with the troubling market correction in the fourth quarter of 2018, which negatively impacted business investment and the economy in general. In fact recent economic data has validated what we have long articulated to our shareholders – *"The Canadian economy continues to show very few signs of growth"*. Under this scenario it is difficult to generate any incremental organic growth in our Trucking/Logistics segment. The limited growth we did generate in this segment was the result of our acquisition strategy. In our Oilfield Services segment we witnessed a pronounced lack of activity, primarily related to another significant decline in drilling activity in western Canada. The challenges encountered by the oil and natural gas industry have been well-documented, as such the entire oilfield industry, and the Alberta economy in particular, continues to retrench, negatively impacting many of our Business Units (as hereafter defined on page 7) in the Oilfield Services segment. On a more positive note, it appears that many of the recent headwinds may be subsiding, at least modestly, providing some room for a recovery in both operating segments as the year progresses.

It is within the context of a more constructive market environment that we have not altered our expectations for fiscal 2019 as articulated in earlier correspondence to shareholders. With the U.S. Federal Reserve Chairman's recent statements that monetary policy will be more accommodative, interest rates have declined, which has historically been a precursor to growth in many important sectors of the economy. We believe that this decision also takes the pressure off of the Bank of Canada and as such it should be positive for the Canadian economy as the year unfolds. Furthermore, many asset classes have recovered most of the declines experienced late last year. This includes crude oil which is now trading significantly higher than just a few months earlier, a welcome relief to our oil and natural gas customers. Our expectation is that at least a portion of the increase in industry cash flow will be reinvested in drilling activity later this year. We are also more constructive given the positive information flow as it relates to west coast LNG projects. These are massive capital investment opportunities that will undoubtedly generate economic benefits as well as set the stage for future natural gas drilling programs.

For the balance of 2019 our focus remains centered on integrating and streamlining our Business Units, increasing efficiencies and reducing costs wherever possible. Acquisitions remain the only viable means of attaining growth given the economic and political environment. However, we will only pursue opportunities that are strategic to Mullen Group and have the potential to make a difference in our business. We maintain a well-structured balance sheet with significant liquidity to fund growth initiatives. We will continue to take a measured approach to investing shareholders' capital.

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# CORPORATE OVERVIEW

Mullen Group is a publicly-traded company listed on the Toronto Stock Exchange ("**TSX**") under the symbol "**MTL**". Through a network of wholly-owned companies and limited partnerships (the "**Business Units**"), Mullen Group is one of the leading suppliers of trucking and logistics services in Canada and provides a wide range of specialized transportation and related services to the oil and natural gas industry in western Canada – two sectors of the economy in which strong business relationships and industry leadership have been developed.

## Business

The business of Mullen Group is operated through its Business Units, which are divided into two distinct operating segments for reporting purposes –Trucking/Logistics and Oilfield Services. 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.

At March 31, 2019, the Trucking/Logistics segment consisted of 14 Business Units, offering a diversified range of truckload and LTL general freight services to customers in Canada and the United States. These services include transporting a wide range of goods including general freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and frac sand. In addition, the Trucking/Logistics segment provides logistics, warehousing and distribution, transload and intermodal services primarily in western Canada, as well as the production, excavation and transportation of various aggregate products.

**Trucking/Logistics Segment:**

| **Business Unit** | **Primary Service Provided** |
|---|---|
| Caneda Transport Ltd. | LTL & Irregular Route Truckload - Canada/U.S. |
| Cascade Carriers L.P. | Dry Bulk Freight - Western Canada |
| Courtesy Freight Systems Ltd. | Regional Scheduled LTL - Northern Ontario |
| DWS Logistics Inc.[(1)] | Value-Added Warehousing and Distribution Services |
| Gardewine Group Limited Partnership | Regional Scheduled LTL - Manitoba and Ontario & Specialized Transportation |
| Grimshaw Trucking L.P. | Regional Scheduled LTL - Northern Alberta |
| Hi-Way 9 Group of Companies[(2) (3)] | Regional Scheduled LTL - Southern Alberta |
| Jay's Transportation Group Ltd. | Regional Scheduled LTL - Saskatchewan |
| Kleysen Group Ltd. | Irregular Route Truckload & Multi-Modal |
| Mullen Trucking Corp. | Irregular Route Truckload & Specialized Transportation |
| Payne Transportation Ltd. | Irregular Route Truckload & Specialized Transportation |
| RDK Transportation Co. Inc. | Irregular Route Truckload & Specialized Transportation |
| Smook Contractors Ltd. | Civil Construction - Northern Manitoba |
| Tenold Transportation Ltd.[(4)] | Irregular Route Truckload & Regional Scheduled LTL - Vancouver Region |

*[(1)] Acquired on February 9, 2018.*
*[(2)] On January 1, 2019, the operations of Bernard Transport Ltd. were combined into the Hi-Way 9 Group of Companies.*
*[(3)] Includes Dacota Freight Services Ltd., which was acquired on April 6, 2018.*
*[(4)] Includes the business and assets contributed to Number 8 Freight Ltd., which were acquired on August 1, 2018.*

At March 31, 2019, our Oilfield Services segment consisted of 17 Business Units that utilize their highly trained personnel and equipment to provide well-servicing, specialized transportation, dewatering, and drilling services to the oil and natural gas industry. These services include transporting of oversize and overweight shipments, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, stockpiling and stringing of large diameter pipe, a broad range of services related to the processing and production of heavy oil including well servicing and handling, transportation of fluids, the processing and disposal of oilfield waste, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation, drilling rig relocation, core drilling, casing setting and conductor pipe setting services.

**Oilfield Services Segment:**

| Business Unit | Primary Service Provided |
|---|---|
| **Production Services** | |
| Cascade Energy Services L.P.(1) | Fluid Transportation - British Columbia & Alberta |
| E-Can Oilfield Services L.P.(1) | Fluid Transportation - Heavy Oil Regions of Alberta |
| Heavy Crude Hauling L.P.(1) | Fluid Transportation - Heavy Oil Regions of Alberta |
| R. E. Line Trucking (Coleville) Ltd. | Fluid Transportation - Saskatchewan |
| Spearing Service L.P. | Fluid Transportation - Saskatchewan |
| **Specialized Services** | |
| Canadian Dewatering L.P. | Water Management Services |
| Canadian Hydrovac Ltd.(2) | Hydrovac Excavation Services |
| Premay Equipment L.P. | Specialized Heavy Haul |
| Premay Pipeline Hauling L.P. | Large Diameter Pipe Transportation |
| Recon Utility Search L.P. | Hydrovac Excavation Services |
| **Drilling Services** | |
| OK Drilling Services L.P. | Conductor Pipe Setting |
| TREO Drilling Services L.P. | Core Drilling |
| **Drilling Related Services** | |
| Envolve Energy Services Corp. | Processing and Disposal of Oilfield Fluids |
| Formula Powell L.P. | Mud / Fluid Transportation & Warehousing |
| Mullen Oilfield Services L.P. | Rig Relocation Services |
| Pe Ben Oilfield Services L.P. | Drill Pipe Transportation & Warehousing |
| Withers L.P. | Drill Pipe Transportation & Warehousing |

*(1) Includes a portion of AECOM's Canadian Industrial Services Division, which was acquired on June 25, 2018.*
*(2) Acquired on July 1, 2018.*

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 6, 2019 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.

## Capital Allocations

### *Dividends*

On February 6, 2019, we announced our intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2019. For the three month period ending March 31, 2019, we declared monthly dividends totalling $0.15 per Common Share (2018 – $0.15 per Common Share). At March 31, 2019, we had 104,824,973 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2018 – $5.2 million), which was paid on April 15, 2019. We also declared a dividend of $0.05 per Common Share on April 22, 2019, to the holders of record at the close of business on April 30, 2019. The Board will continue to consider the amount of and the record date for the monthly dividend.

### *Capital Expenditures*

On February 6, 2019, the Board approved a $75.0 million capital budget for 2019, exclusive of corporate acquisitions and special projects with $40.0 million to be allocated to the Trucking/Logistics segment primarily to replace trucks, trailers and specialized equipment to support the operations of these Business Units, $20.0 million allocated to the Oilfield Services segment to support growth at Envolve Energy Services Corp. ("**Envolve**") and

Canadian Dewatering L.P. ("**Canadian Dewatering**") and $15.0 million allocated to the Corporate Office mainly to expand our real estate holdings. The Board will continue to monitor both of the sectors of the economy we serve and will adjust the capital budget as new opportunities arise.

In the first three months of 2019, gross capital expenditures on a pre-consolidated basis were $18.0 million as compared to $13.1 million in 2018, including $2.1 million of trucks and trailers transferred to the Trucking/Logistics segment from the Oilfield Services segment, which mainly consisted of hydrovac equipment to support growth initiatives. These capital expenditures were comprised of $8.8 million in the Trucking/Logistics segment (2018 – $8.6 million), $7.6 million in the Oilfield Services segment (2018 – $4.5 million) and $1.6 million in the Corporate Office (2018 – nil). Gross dispositions on a pre-consolidated basis were $3.5 million in 2019 as compared to $3.1 million in 2018. These gross dispositions were comprised of $0.6 million in the Trucking/Logistics segment (2018 – $0.4 million), $2.9 million in the Oilfield Services segment (2018 – $2.7 million) and nil in the Corporate Office (2018 – nil).

### *Acquisitions and Intangible Assets*

*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 Interim Financial Statements from the date of acquisition.*

**2018**

**DWS Logistics Inc.** – On February 9, 2018, we acquired DWS Logistics Inc. ("**DWS**") for cash consideration of $10.1 million, comprised of $8.3 million for all the issued and outstanding shares and $1.8 million for the repayment of debt. Included in this amount is $1.0 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendors could receive cash consideration of up to $1.0 million for achieving certain financial targets for the twelve month period ended December 31, 2018. DWS achieved such targets. The funds to settle this liability had been set aside in an escrow account. DWS is headquartered in Mississauga, Ontario and provides value-added warehousing and distribution services that includes warehousing, distribution, order fulfilment, cross docking and transloading, all of which are supported by a proprietary inventory management system. DWS has over 500,000 square feet of warehousing space situated in four distribution centres in the greater Toronto area and the Lower Mainland of British Columbia. DWS is an asset-light operation and generates margins that are in line with Mullen Group's non-asset based Business Units in the Trucking/Logistics segment. We acquired DWS as part of our strategy to invest in the transportation and e-commerce sectors in Canada. The financial results from DWS' operations are included in the Trucking/Logistics segment.

**Dacota Freight Services Ltd.** – Effective April 1, 2018, we acquired Dacota Freight Services Ltd. ("**Dacota**") for cash consideration of $2.4 million, comprised of $2.1 million for all the issued and outstanding shares and $0.3 million for the repayment of debt. Included in this amount is $0.2 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to $0.2 million for achieving certain financial targets over the two year period ending March 31, 2020. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. Dacota is headquartered in Cranbrook, British Columbia and provides transportation and logistics services primarily in western Canada. We acquired Dacota as part of our strategy to invest in the transportation sector in western Canada. Dacota has been integrated into the operations of the Hi-Way 9 Group of Companies ("**Hi-Way 9**"), whose financial results are included in the Trucking/Logistics segment.

**AECOM's Canadian Industrial Services Division** – On June 25, 2018, we acquired the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") for cash consideration of $25.9 million. We acquired the business and assets of AECOM ISD as part of our strategy to invest in the energy sector. AECOM ISD provides specialized oilfield services and operates largely within the heavy oil and oil sands regions of Alberta. As part of the transaction, Mullen Group hired approximately 350 people and purchased in excess of 250 pieces of specialized equipment including: pressure trucks, hydrovacs, vacuum trucks, combo units, flushby units, fluid hauling equipment and various other pieces of support equipment. AECOM ISD service offerings are complementary to Mullen Group's Oilfield Services segment and it has been integrated into the operations of Cascade Energy Services L.P., E-Can Oilfield Services L.P. and Heavy Crude Hauling L.P., whose financial results are included in the Oilfield Services segment.

**Canadian Hydrovac Ltd.** – Effective July 1, 2018, we acquired Canadian Hydrovac Ltd. ("**Canadian Hydrovac**") for total consideration of $11.9 million consisting of $9.9 million of cash consideration and $2.0 million of Common Shares of the Corporation by issuing 133,334 Common Shares. We recorded $4.6 million of cash used to acquire all of the issued and outstanding shares of Canadian Hydrovac on our condensed consolidated statement of cash flows, which consists of $9.9 million of total cash consideration less $5.3 million allocated to the repayment of long-term debt. Canadian Hydrovac is headquartered in Sherwood Park, Alberta, in the heart of the refinery complex of the greater Edmonton region and Alberta's Industrial Heartland and operates a fleet of approximately 50 pieces of specialized equipment including: hydrovacs, vacuum trucks, combo units and various other pieces of support equipment. Canadian Hydrovac is an industry leader in providing hydrovac services to the midstream, pipeline, construction and municipal sectors of western Canada. We acquired Canadian Hydrovac as part of our strategy to invest in the energy sector. The results from Canadian Hydrovac's operations are included in the Oilfield Services segment.

**Number 8 Freight Ltd.** – Effective August 1, 2018, we acquired the business and assets of 1007474 B.C. Ltd. doing business as Number 8 Freight, which were contributed to a newly formed corporation named Number 8 Freight Ltd. ("**Number 8**") for cash consideration of $5.0 million. Number 8 manages a fleet of approximately 80 dedicated subcontractors that provides same day LTL, full load and expedited transportation services to the greater Vancouver and Fraser Valley regions of British Columbia. Number 8 is an asset-light operation and generates margins that are in line with Mullen Group's non-asset based Business Units in the Trucking/Logistics segment. We acquired Number 8 as part of our strategy to invest in the transportation sector in western Canada. Number 8 operates out of a facility located in Chilliwack, British Columbia and has been integrated into the operations of Tenold Transportation Ltd., whose financial results are included in the Trucking/Logistics segment.

### Intangible Assets

In the fourth quarter of 2018, Gardewine purchased a customer list from a third-party for $3.0 million. The customer list included LTL customers in northern Ontario and is expected to increase revenue and profitability at Gardewine.

### *Bank Credit Facility Amendment*

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. 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 15) and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants.

### *Repayment of Private Placement Debt*

On June 29, 2018, we used cash to repay $70.0 million of Series D Notes. The Series D Notes matured on June 30, 2018. The repayment of the Series D Notes reduced our annual interest obligation by approximately $4.0 million. Prior to the repayment of the Series D Notes, the weighted average interest rate on our Canadian dollar debt was 4.51 percent. The weighted average interest rate on our Canadian dollar debt after repaying the Series D Notes is 3.99 percent.

### *Convertible Unsecured Subordinated Debentures*

On May 1, 2009, we issued $125.0 million of convertible unsecured subordinated debentures ("**Debentures**"), by way of private placement, at a price of $1,000 per Debenture. The Debentures matured on July 1, 2018. On a cumulative basis, a total of 123,455 Debentures representing $123.5 million of aggregate principal amount had been converted into 11,724,127 Common Shares of the Corporation. A total of 1,545 Debentures were repaid with cash.

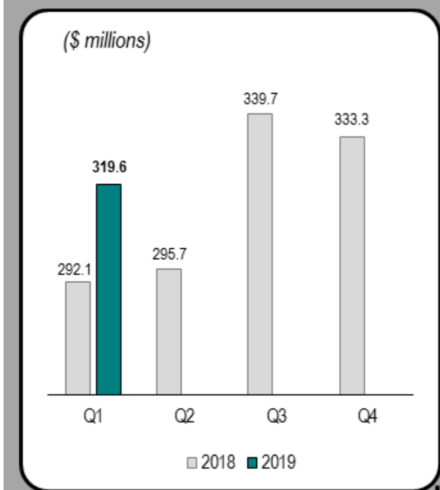
### *Equity Investments*

On August 1, 2018, we invested $2.0 million to acquire a 40.0 percent equity interest in Pacific Coast Express Limited ("**PCX**"), a LTL transportation company operating out of a number of facilities throughout western Canada. This investment is part of our strategy to invest alongside high quality entrepreneurs in companies that have growth potential. In conjunction with this investment, we also entered into a $3.2 million debenture agreement with PCX. We granted the majority shareholder of PCX an irrevocable option to sell all of the remaining shares of PCX to us at a price to be agreed upon by both parties once certain financial targets have been achieved.

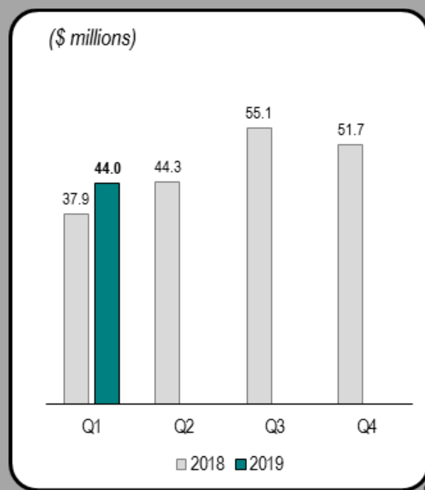
# CONSOLIDATED FINANCIAL RESULTS –
# THREE MONTH PERIOD ENDED MARCH 31, 2019

**Summary – Trailing Five Quarters**

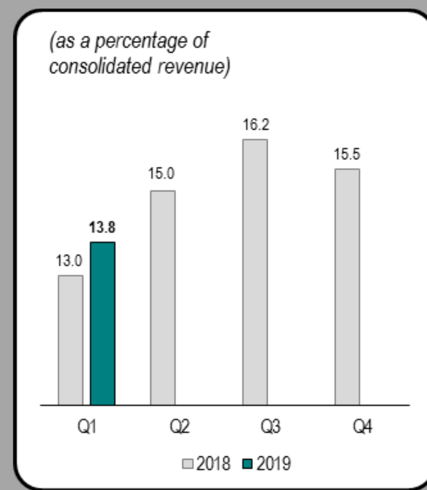
**Consolidated Revenue**




**OIBDA**




**Operating Margin[1]**




Our first quarter financial results improved over 2018 primarily as a result of acquisitions. Revenue grew by 9.4 percent and the Trucking/Logistics segment set another record in terms of both revenue and OIBDA. There were a number of positive factors that influenced our first quarter financial performance, the most notable being:

- the completion of a series of acquisitions that contributed $23.4 million of incremental revenue to the first quarter, which was comprised of $19.4 million in the Oilfield Services segment and $4.0 million in the Trucking/Logistics segment;
- the increased demand for large diameter pipeline construction related services that resulted in an $8.1 million rise in revenue at Premay Pipeline Hauling L.P. ("**Premay Pipeline**");
- the continued streamlining and integration of acquisitions that reduced costs; and
- revenue gains in the Trucking/Logistics segment due to the timing of certain specific projects.

These positive factors were offset by dramatically lower than anticipated drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**") and intense competition within our Oilfield Services segment. More specifically, our results were negatively impacted by:

- a 29.8 percent decline in revenue by those Business Units tied to drilling related activity including pipe handling and storage, rig moving and drilling mud transportation and storage;
- a Canadian economy that experienced only restrained growth;
- lower demand for general freight services and the decline in spot market pricing; and
- harsh winter conditions that negatively impacted operating efficiencies.

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

## Revenue

*Revenue is generated by the Corporation through its Business Units. These Business Units are divided into two operating segments: Trucking/Logistics and Oilfield 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**").*

| **Q1 Consolidated Revenue by Segment** <br> ***(unaudited)*** <br> ***($ millions)*** | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%*** | **$** | **%*** | **$** | **%** |
| Trucking/Logistics | **215.2** | **67.2** | 207.5 | 71.0 | 7.7 | 3.7 |
| Oilfield Services | **105.0** | **32.8** | 84.6 | 29.0 | 20.4 | 24.1 |
| Corporate and intersegment eliminations | **(0.6)** | **—** | — | — | (0.6) | — |
| Total | **319.6** | **100.0** | 292.1 | 100.0 | 27.5 | 9.4 |

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the first quarter increased by $27.5 million, representing a year over year gain of 9.4 percent, rising to $319.6 million as compared to $292.1 million in 2018. Acquisitions remained one of our primary focuses and accounted for $23.4 million of incremental revenue. The Trucking/Logistics segment generated record first quarter revenue and grew by $7.7 million, or 3.7 percent, of which $4.0 million was due to acquisitions. Largely due to acquisitions, our Oilfield Services segment experienced a $20.4 million increase in revenue representing a year over year increase of 24.1 percent. Fuel surcharge revenue was $21.2 million as compared to $21.3 million in 2018.

| **Q1 Consolidated Revenue** <br> ***(unaudited)*** <br> ***($ millions)*** | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%** | **$** | **%** | **$** | **%** |
| Company | **216.0** | **67.6** | 194.3 | 66.5 | 21.7 | 11.2 |
| Contractors | **102.3** | **32.0** | 95.7 | 32.8 | 6.6 | 6.9 |
| Other | **1.3** | **0.4** | 2.1 | 0.7 | (0.8) | (38.1) |
| Total | **319.6** | **100.0** | 292.1 | 100.0 | 27.5 | 9.4 |

Revenue generated by Company Equipment increased by $21.7 million, or 11.2 percent, to $216.0 million as compared to $194.3 million in 2018 and represented 67.6 percent of consolidated revenue in the current period as compared to 66.5 percent in 2018. Revenue related to Contractors increased by $6.6 million, or 6.9 percent, to $102.3 million as compared to $95.7 million in 2018 and represented 32.0 percent of consolidated revenue in the current period as compared to 32.8 percent in 2018.

## 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, 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.*

| **Q1 Consolidated Direct Operating Expenses** ***(unaudited)*** ***($ millions)*** | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%*** | **$** | **%*** | **$** | **%** |
| Company | | | | | | |
| Wages and benefits | **59.4** | **27.5** | 52.0 | 26.8 | 7.4 | 14.2 |
| Fuel | **23.2** | **10.7** | 23.5 | 12.1 | (0.3) | (1.3) |
| Repairs and maintenance | **29.2** | **13.5** | 26.8 | 13.8 | 2.4 | 9.0 |
| Purchased transportation | **22.6** | **10.5** | 20.2 | 10.4 | 2.4 | 11.9 |
| Operating supplies | **15.8** | **7.3** | 13.8 | 7.1 | 2.0 | 14.5 |
| Other | **6.1** | **2.9** | 6.1 | 3.1 | — | — |
| | **156.3** | **72.4** | 142.4 | 73.3 | 13.9 | 9.8 |
| Contractors | **77.0** | **75.3** | 71.9 | 75.1 | 5.1 | 7.1 |
| Total | **233.3** | **73.0** | 214.3 | 73.4 | 19.0 | 8.9 |

**as a percentage of respective Consolidated revenue*

DOE were $233.3 million in the first quarter as compared to $214.3 million in 2018. This increase of $19.0 million, or 8.9 percent, was in line with the $27.5 million, or 9.4 percent, increase in consolidated revenue.

DOE associated with Company Equipment increased to $156.3 million as compared to $142.4 million in 2018. This increase of $13.9 million, or 9.8 percent, was attributable to the $21.7 million, or 11.2 percent, increase in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 0.9 percent to 72.4 percent as compared to 73.3 percent in 2018 due to decreased fuel expenses being partially offset by higher wages and benefits expense as a result of our AECOM ISD acquisition.

Contractors expense in the first quarter increased to $77.0 million as compared to $71.9 million in 2018. This $5.1 million increase was attributable to the $6.6 million rise in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.2 percent to 75.3 percent as compared to 75.1 percent in 2018 and was primarily attributable to higher costs experienced by the Oilfield Services segment.

## Selling and Administrative Expenses

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

| **Q1 Consolidated Selling and Administrative Expenses** *(unaudited)* *($ millions)* | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%*** | **$** | **%*** | **$** | **%** |
| Wages and benefits | **25.4** | **7.9** | 22.7 | 7.8 | 2.7 | 11.9 |
| Communications, utilities and general supplies | **12.2** | **3.8** | 11.4 | 3.9 | 0.8 | 7.0 |
| Profit share | **2.6** | **0.8** | 2.3 | 0.8 | 0.3 | 13.0 |
| Foreign exchange | **0.2** | **0.1** | (0.6) | (0.2) | 0.8 | (133.3) |
| Stock-based compensation | **0.4** | **0.1** | 0.5 | 0.2 | (0.1) | (20.0) |
| Rent and other | **1.5** | **0.5** | 3.6 | 1.2 | (2.1) | (58.3) |
| Total | **42.3** | **13.2** | 39.9 | 13.7 | 2.4 | 6.0 |

**as a percentage of total Consolidated revenue*

S&A expenses for the period increased by $2.4 million to $42.3 million as compared to $39.9 million in 2018 largely due to the $2.7 million of incremental S&A expenses associated with acquisitions, most notably wages and benefits expense and the $0.8 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. These increases were partially offset by the reduction in rent expense associated with the adoption of IFRS 16 – Leases whereby previously expensed rent payments were capitalized under the new accounting framework.

## Operating Income Before Depreciation and Amortization

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

| **Q1 Consolidated Operating Income Before Depreciation and Amortization** *(unaudited)* *($ millions)* | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%** | **$** | **%** | **$** | **%** |
| Trucking/Logistics | **30.1** | **68.4** | 25.8 | 68.1 | 4.3 | 16.7 |
| Oilfield Services | **16.1** | **36.6** | 12.5 | 33.0 | 3.6 | 28.8 |
| Corporate | **(2.2)** | **(5.0)** | (0.4) | (1.1) | (1.8) | 450.0 |
| Total | **44.0** | **100.0** | 37.9 | 100.0 | 6.1 | 16.1 |

OIBDA for the period was $44.0 million, or 13.8 percent of revenue, as compared to $37.9 million, or 13.0 percent, in 2018. The $6.1 million increase represents a year over year increase of 16.1 percent and was primarily due to record first quarter OIBDA in the Trucking/Logistics segment and significantly higher OIBDA in the Oilfield Services segment being partially offset by higher Corporate costs.

OIBDA was positively impacted by the adoption of IFRS 16 – Leases whereby $3.1 million of previously expensed operating leases were capitalized and depreciated. This had a 100 bps impact on operating margin[1]. On a comparative basis, operating margin[1] decreased by 0.2 percent to 12.8 percent as compared to 13.0 percent in 2018.

[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 $17.4 million in the first quarter as compared to $16.4 million in 2018. This increase of $1.0 million was mainly attributable to a greater amount of depreciation being recorded in the Trucking/Logistics segment, while depreciation in the Oilfield Services segment increased modestly and the Corporate Office remained consistent on a year over year basis. Depreciation in the Trucking/Logistics segment increased by $0.9 million due to an increase in the amount of capital expenditures being made within this segment and from the additional depreciation expense resulting from the recent acquisitions. Depreciation in the Oilfield Services segment increased modestly by $0.1 million and was mainly due to the incremental depreciation being recorded on the assets acquired in the AECOM ISD and the Canadian Hydrovac acquisitions being mostly offset by the lower amount of capital expenditures made within this segment.

## Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $2.8 million in the first quarter. Effective January 1, 2019, we 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 associated right-of-use assets were measured at the lease liability amount, adjusted by the amount of any subleases and any lease inducements relating to those leases. Depreciation of right-of-use assets mainly consists of real property leases entered into by the Business Units and are depreciated over the lease term.

## 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 $4.4 million in the first quarter as compared to $3.5 million in 2018. This increase mainly resulted from the additional amortization recorded on the intangible assets associated with the recent acquisitions and from the customer list purchased by Gardewine in the fourth quarter of 2018. These increases were somewhat offset by certain intangible assets becoming fully amortized.

## Finance Costs

Finance costs 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**");
    - lease liabilities; and
    - borrowings on the Bank Credit Facility.
- Less any interest income generated from the debentures issued to PCX and Thrive Management Group Ltd. and from cash and cash equivalents.

Finance costs were $4.9 million in the first quarter as compared to $5.4 million in 2018. The decrease of $0.5 million was mainly attributable to the June 29, 2018 repayment of the Series D ($70.0 million bearing interest at 5.76 percent) Notes and the repayment of the Debentures which matured on July 1, 2018. These decreases were somewhat offset by $0.3 million of interest expense recorded on lease liabilities and from a greater amount of interest expense being recorded 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 $1.1 million in the first quarter of 2019 as compared to a net foreign exchange loss of $6.2 million in 2018. The net foreign exchange gain of $1.1 million in 2019 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 $7.3 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** | **Three month periods ended March 31** | |
|---|---|---|
| | **CDN. $ Equivalent** | |
| ***(unaudited)*** ***($ millions)*** | **2019** | **2018** |
| Foreign exchange (gain) loss on U.S. $ debt | **(6.4)** | 8.0 |
| Foreign exchange loss (gain) on Cross-Currency Swaps | **5.3** | (1.8) |
| Net foreign exchange (gain) loss | **(1.1)** | 6.2 |

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

We recorded a foreign exchange gain of $6.4 million related to our U.S. dollar debt due to the $0.0279 strengthening of the Canadian dollar relative to the U.S. dollar during the first quarter of 2019. For the same period in 2018, we recorded a foreign exchange loss of $8.0 million due to the weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange (gain) loss on the U.S. dollar debt are summarized in the following table:

| **Foreign Exchange (Gain) Loss on U.S. $ Debt** | **Three month periods ended March 31** | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | **2018** | | |
| ***(unaudited)*** ***($ millions, except exchange rate amounts)*** | **U.S. $ Debt** | **Exchange Rate** | **CDN. $ Equivalent** | **U.S. $ Debt** | **Exchange Rate** | **CDN. $ Equivalent** |
| Ending – March 31 | **229.0** | **1.3363** | **306.0** | 229.0 | 1.2894 | 295.3 |
| Beginning – January 1 | **229.0** | **1.3642** | **312.4** | 229.0 | 1.2545 | 287.3 |
| Foreign exchange (gain) loss on U.S. $ debt | | | **(6.4)** | | | 8.0 |

### *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 $5.3 million in the first quarter of 2019 as compared to a $1.8 million gain in 2018. 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** | **Three month periods ended March 31** | | | |
|---|---|---|---|---|
| | **2019** | | **2018** | |
| ***(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** | 2.7 | 117.0 | (1.1) |
| Cross-Currency Swap maturing October 22, 2026 | **112.0** | 2.6 | 112.0 | (0.7) |
| Foreign exchange loss (gain) on Cross-Currency Swaps | | 5.3 | | (1.8) |

## 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 and earnings from equity investments. Other income in the first quarter was $0.1 million, a $1.5 million positive variance as compared to the $1.4 million of other expense recorded in 2018. The $1.5 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $1.6 million). We periodically invest in certain public corporations. We recorded an increase in the fair value of investments of $0.1 million in the first quarter as compared to a $1.5 million decrease in 2018. There were no investments purchased or sold in either the first quarter of 2019 or 2018.

Loss on Sale of Property, Plant and Equipment (negative variance of $0.3 million). We recognized a loss of $0.6 million on sale of property, plant and equipment on total consolidated proceeds on sale of $1.4 million in the first quarter as compared to a $0.3 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.8 million in 2018. The $0.6 million loss on sale of property, plant and equipment in 2019 mainly resulted from the sale of older equipment in both the Trucking/Logistics and Oilfield Services segments.

Earnings from Equity Investments (positive variance of $0.2 million). We recognized $0.6 million of earnings from equity investments in the first quarter as compared to $0.4 million in 2018. 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. 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 |
| Pacific Coast Express Limited | August 1, 2018 |

## Income Taxes

| *(unaudited)* *($ millions)* | Three month periods ended March 31 | | | |
|---|---|---|---|---|
| | | **2019** | | **2018** |
| Income before income taxes | **$** | **15.7** | $ | 5.0 |
| Combined statutory tax rate | | **27%** | | 27% |
| Expected income tax | | **4.2** | | 1.4 |
| Add (deduct): | | | | |
| Non-deductible (taxable) portion of net foreign exchange (gain) loss | | **(0.2)** | | 0.8 |
| Non-deductible (taxable) portion of the change in fair value of investments | | **—** | | 0.2 |
| Stock-based compensation expense | | **0.1** | | 0.1 |
| Changes in unrecognized deferred tax asset | | **(0.2)** | | 0.8 |
| Other | | **0.2** | | 0.2 |
| Income tax expense | **$** | **4.1** | $ | 3.5 |

Income tax expense was $4.1 million in the first quarter of 2019 as compared to $3.5 million in 2018. The increase of $0.6 million was mainly attributable to the greater amount of earnings generated in 2019 as compared to the prior year.

## Net Income

| *(unaudited)* *($ millions, except share and per share amounts)* | Three month periods ended March 31 | | | | |
|---|---|---|---|---|---|
| | | **2019** | | **2018** | **% Change** |
| Net income | **$** | **11.6** | $ | 1.5 | 673.3 |
| Weighted average number of Common Shares outstanding | | **104,824,973** | | 103,654,316 | 1.1 |
| Earnings per share – basic | **$** | **0.11** | $ | 0.01 | 1,000.0 |

Net income increased to $11.6 million in the first quarter as compared to $1.5 million in 2018. The factors contributing to the increase in net income include:

- a $7.3 million positive variance in net foreign exchange;
- a $6.1 million increase in OIBDA;
- a $1.6 million positive variance in the fair value of investments;
- a $0.5 million decrease in finance costs; and
- a $0.2 million increase in earnings from equity investments.

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

- a $2.8 million increase in depreciation of right-of-use assets;
- a $1.0 million increase in depreciation of property, plant and equipment;
- a $0.9 million increase in amortization of intangible assets;
- a $0.6 million increase in income tax expense; and
- a $0.3 million increase in the loss on sale of property, plant and equipment.

Basic earnings per share increased to $0.11 in 2019 as compared to $0.01 in 2018. This increase resulted from the effect of the $10.1 million increase in net income. The weighted average number of Common Shares outstanding increased slightly from 103,654,316 to 104,824,973, which was mainly due to the conversion of some Debentures into Common Shares in 2018.

## 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 March 31 | | | |
|---|---|---|---|---|
| | | **2019** | | **2018** |
| Income before income taxes | **$** | **15.7** | $ | 5.0 |
| Add (deduct): | | | | |
| Net foreign exchange (gain) loss | | **(1.1)** | | 6.2 |
| Change in fair value of investments | | **(0.1)** | | 1.5 |
| Income before income taxes – adjusted | | **14.5** | | 12.7 |
| Income tax rate | | **27%** | | 27% |
| Computed expected income tax expense | | **(3.9)** | | (3.4) |
| Net income – adjusted[(1)] | | **10.6** | | 9.3 |
| Weighted average number of Common Shares outstanding – basic | | **104,824,973** | | 103,654,316 |
| Earnings per share – adjusted[(1)] | **$** | **0.10** | $ | 0.09 |

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

*[The remainder of this page intentionally left blank.]*

# SEGMENTED INFORMATION –
# THREE MONTH PERIOD ENDED MARCH 31, 2019

| Three month period ended March 31, 2019<br>*(unaudited)*<br>*($ millions)* | Trucking /Logistics | Oilfield Services | Corporate and intersegment eliminations | Total |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Revenue | **215.2** | **105.0** | **(0.6)** | **319.6** |
| Direct operating expenses | **158.5** | **76.6** | **(1.8)** | **233.3** |
| Selling and administrative expenses | **26.6** | **12.3** | **3.4**[(2)] | **42.3** |
| Operating income before depreciation and amortization | **30.1** | **16.1** | **(2.2)** | **44.0** |
| Net capital expenditures[(1)] | **8.2** | **4.7** | **1.6** | **14.5** |

| Three month period ended March 31, 2018<br>*(unaudited)*<br>*($ millions)* | Trucking /Logistics | Oilfield Services | Corporate and intersegment eliminations | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue | 207.5 | 84.6 | — | 292.1 |
| Direct operating expenses | 155.8 | 60.3 | (1.8) | 214.3 |
| Selling and administrative expenses | 25.9 | 11.8 | 2.2[(3)] | 39.9 |
| Operating income before depreciation and amortization | 25.8 | 12.5 | (0.4) | 37.9 |
| Net capital expenditures[(1)] | 8.2 | 1.8 | — | 10.0 |

*(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".*
*(2) Includes a $0.1 million foreign exchange loss.*
*(3) Includes a $0.1 million foreign exchange gain.*

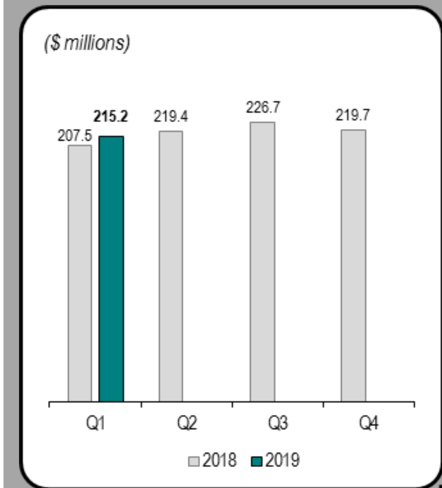
## TRUCKING/LOGISTICS SEGMENT

*The transportation and distribution of freight is a $200 billion plus business in Canada and is generally described as both highly competitive and fragmented. The Trucking/Logistics segment provides a wide range of trucking and logistics services in Canada, as well as to and from the continental U.S. At March 31, 2019, the Trucking/Logistics segment was comprised of 14 Business Units that utilize both Company Equipment and Contractors.*

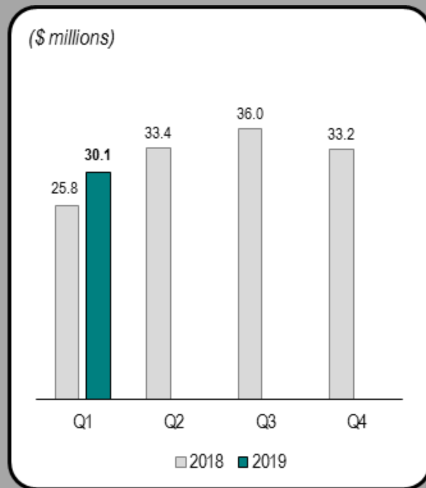
| *Service Offerings* | *Key Drivers and Considerations* |
|---|---|
| • *Long-Haul Trucking (T/L)* | • *Tied to general economy (i.e., GDP)* |
| • *Less-Than-Truckload Trucking (LTL)* | • *Regional network comprised of 94 terminals* |
| • *Logistics, Intermodal and Transload Services* | • *Requires less maintenance capital* |
| • *Bulk Hauling* | • *Primarily contract services* |

## Summary – Trailing Five Quarters

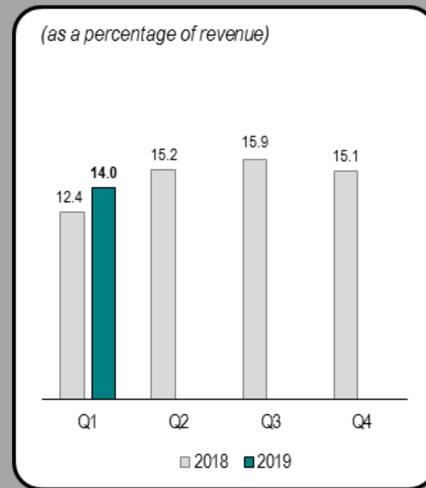
**Revenue**




**OIBDA**




**Operating Margin**[1]




General economic activity is the main driver of demand levels for our Trucking/Logistics segment. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services. Early estimates indicate that Canada's real gross domestic product ("**GDP**") expanded by 0.3 percent in January after experiencing annualized growth of 0.4 percent in the fourth quarter of 2018. The U.S. economy continues to grow at a healthy pace leading to increased demand for North American freight services. It is estimated that the U.S. economy expanded by 2.1 percent in the first quarter after growing by 2.2 percent in the fourth quarter of 2018.

## Revenue

| **Q1 Revenue – Trucking/Logistics** *(unaudited)* *($ millions)* | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%** | **$** | **%** | **$** | **%** |
| Company | **140.4** | **65.2** | 134.8 | 65.0 | 5.6 | 4.2 |
| Contractors | **74.5** | **34.6** | 72.4 | 34.9 | 2.1 | 2.9 |
| Other | **0.3** | **0.2** | 0.3 | 0.1 | — | — |
| Total | **215.2** | **100.0** | 207.5 | 100.0 | 7.7 | 3.7 |

Driven by acquisitions, the Trucking/Logistics segment generated $215.2 million of revenue in the first quarter, which was the highest level of first quarter segment revenue on record and represented 67.2 percent of pre-consolidated revenue as compared to 71.0 percent in 2018. Revenue increased by $7.7 million, or 3.7 percent, to $215.2 million as compared to $207.5 million in 2018 due to $4.0 million of incremental revenue related to our recent acquisitions being partially offset by a $0.3 million decline in fuel surcharge revenue. Fuel surcharge revenue decreased to $20.6 million. Excluding acquisitions and the change in fuel surcharge revenue, the Trucking/Logistics segment revenue rose by a modest $4.0 million due to the rise in project-based revenue. Some of the specific factors that impacted revenue in the first quarter were the following:

- The regional LTL business improved by 1.7 percent during the quarter due to revenue gains at Gardewine. Our five regional LTL Business Units[2] generated revenue of $107.9 million as compared to $106.1 million in 2018.

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

[2] Our five regional LTL Business Units consist of Gardewine Group Limited Partnership, Courtesy Freight Systems Ltd, Jay's Transportation Group Ltd., Hi-Way 9 Group of Companies and Grimshaw Trucking L.P. Although their primary service offering is LTL, they provide many other services including full-truckload, bulk and logistics services. Bernard Transport Ltd. was combined into the Hi-Way 9 Group of Companies on January 1, 2019.

- Truckload revenue increased by $5.5 million due to the combination of the $4.0 million of incremental revenue generated by our recent acquisitions as well as an increase in demand for truckload services related to certain one-time projects. The nine truckload services Business Units generated $109.6 million in revenue as compared to $104.1 million in 2018.

- Fuel surcharge revenue, excluding the effect of acquisitions, declined to $20.6 million as compared to $20.9 million in 2018.

Revenue related to Company Equipment increased by $5.6 million, or 4.2 percent, to $140.4 million as compared to $134.8 million in 2018 and represented 65.2 percent of segment revenue in the current period as compared to 65.0 percent in 2018. Revenue related to Contractors increased by $2.1 million, or 2.9 percent, to $74.5 million as compared to $72.4 million in 2018 and represented 34.6 percent of segment revenue in the current period as compared to 34.9 percent in 2018.

## Direct Operating Expenses

**Q1 Direct Operating Expenses – Trucking/Logistics**

| ***(unaudited)*** ***($ millions)*** | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%*** | **$** | **%*** | **$** | **%** |
| Company | | | | | | |
| Wages and benefits | **37.3** | **26.6** | 36.7 | 27.2 | 0.6 | 1.6 |
| Fuel | **16.0** | **11.4** | 17.3 | 12.8 | (1.3) | (7.5) |
| Repairs and maintenance | **16.4** | **11.7** | 15.8 | 11.7 | 0.6 | 3.8 |
| Purchased transportation | **22.2** | **15.8** | 19.8 | 14.7 | 2.4 | 12.1 |
| Operating supplies | **7.8** | **5.6** | 7.8 | 5.8 | — | — |
| Other | **4.2** | **2.9** | 4.5 | 3.4 | (0.3) | (6.7) |
| | **103.9** | **74.0** | 101.9 | 75.6 | 2.0 | 2.0 |
| Contractors | **54.6** | **73.3** | 53.9 | 74.4 | 0.7 | 1.3 |
| Total | **158.5** | **73.7** | 155.8 | 75.1 | 2.7 | 1.7 |

**as a percentage of respective Trucking/Logistics revenue*

Total DOE were $158.5 million in the first quarter as compared to $155.8 million in 2018. The increase of $2.7 million, or 1.7 percent, was generally in line with the $7.7 million, or 3.7 percent, rise in segment revenue. DOE expressed as a percentage of revenue decreased by 1.4 percent to 73.7 percent as compared to 75.1 percent in 2018.

DOE related to Company Equipment increased by $2.0 million, or 2.0 percent, to $103.9 million as compared to $101.9 million in 2018. In terms of a percentage of revenue, Company expenses decreased by 1.6 percent to 74.0 percent as compared to 75.6 percent in 2018 due to lower fuel costs and greater operational efficiencies being somewhat offset by higher purchased transportation costs at Gardewine due to market share gains.

Contractors expense in the first quarter increased by $0.7 million to $54.6 million as compared to $53.9 million in 2018. This increase was generally in proportion to the $2.1 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 1.1 percent to 73.3 percent as compared to 74.4 percent in 2018 due to costs savings within the Trucking/Logistics segment.

## Selling and Administrative Expenses

| **Q1 Selling and Administrative Expenses – Trucking/Logistics** *(unaudited)* *($ millions)* | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%*** | **$** | **%*** | **$** | **%** |
| Wages and benefits | **16.4** | **7.6** | 15.3 | 7.4 | 1.1 | 7.2 |
| Communications, utilities and general supplies | **7.7** | **3.6** | 7.1 | 3.4 | 0.6 | 8.5 |
| Profit share | **1.6** | **0.7** | 1.6 | 0.8 | — | — |
| Foreign exchange | **0.1** | **—** | (0.5) | (0.2) | 0.6 | (120.0) |
| Rent and other | **0.8** | **0.5** | 2.4 | 1.1 | (1.6) | (66.7) |
| Total | **26.6** | **12.4** | 25.9 | 12.5 | 0.7 | 2.7 |

**as a percentage of total Trucking/Logistics revenue*

S&A expenses were $26.6 million in the first quarter as compared to $25.9 million in 2018. The increase of $0.7 million was primarily due to the $0.9 million of incremental S&A expenses associated with the acquisitions, largely wages and benefits expense, as well as the $0.6 million negative variance on foreign exchange. These increases were somewhat offset by the $1.6 million reduction in rent expense due to the adoption of IFRS 16 – Leases. S&A expenses as a percentage of segment revenue declined to 12.4 percent as compared to 12.5 percent in 2018. IFRS 16 – Leases had a 0.7 percent positive impact on S&A expenses as a percentage of revenue.

## Operating Income Before Depreciation and Amortization

OIBDA for the first quarter increased by $4.3 million, or 16.7 percent, to $30.1 million as compared to $25.8 million generated in 2018. This is the highest level of OIBDA achieved for any first quarter on record. The majority of this rise in OIBDA, specifically $2.5 million, was due to the adoption of IFRS 16 – Leases. In addition, acquisitions accounted for $0.6 million of incremental growth.

Operating margin[1] increased by 1.6 percent to 14.0 percent as compared to 12.4 percent in 2018 primarily due to the adoption of IFRS 16 – Leases, which had a 1.2 percent positive impact on our operating margin[1]. When comparing our operating margin[1] without the impact of IFRS 16 – Leases, it was 12.8 percent, an increase over 2018, due to higher margins achieved on project-based revenue and greater operational efficiencies.

## Capital Expenditures

Net capital expenditures[1] were $8.2 million in the first quarter, which is consistent with the $8.2 million recorded in 2018. The Trucking/Logistics segment had gross capital expenditures of $8.9 million and dispositions of $0.7 million for net capital expenditures[1] of $8.2 million in 2019. Gross capital expenditures mainly consisted of the purchase of trucks and trailers to support growth opportunities and to replace equipment within our LTL operations. In addition, we transferred some equipment to the Trucking/Logistics segment from the Oilfield Services segment as well as purchased various pieces of operating equipment. In 2018 gross capital expenditures were $8.6 million and dispositions were $0.4 million for net capital expenditures[1] of $8.2 million.

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

## OILFIELD SERVICES SEGMENT

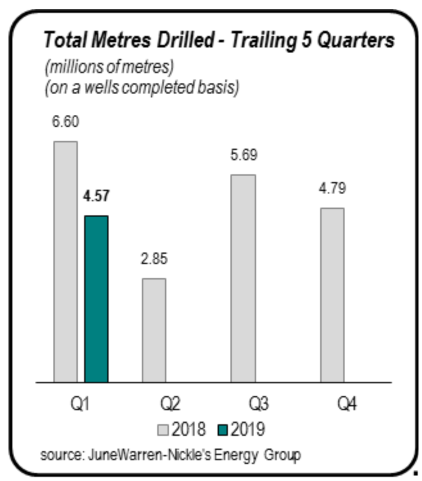
*Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At March 31, 2019, the Oilfield Services segment was comprised of 17 Business Units, that utilize both Company Equipment and Contractors.*

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

### *Industry Statistics*

One of the important industry statistics we follow is drilling activity. With changes in drilling techniques the industry continues to evolve. We consider the number of active rigs operating, total wells drilled, length of metres drilled within such wells and the number of operating days, to be useful measures to gauge the strength of industry activity. Recent efforts to enhance drilling efficiency, combined with a movement to longer and deeper multi-stage horizontal wells have changed the correlation of certain drilling statistics. Generally speaking, the rig count and average days to drill a well have decreased while the total metres drilled have increased. In addition, drilling techniques have evolved whereby the demand for bagged mud has diminished. However, the increase in metres drilled per well has continued to support demand for drill pipe transportation and drilling fluid hauling services.

Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, decreased significantly in the quarter as compared to the prior year. Industry statistics indicate that the average active rig count for the quarter was 186 rigs during 2019 as compared to 273 active rigs in 2018, a decrease of 87 rigs or 31.9 percent. Total wells drilled decreased by 19.7 percent to 2,174 wells drilled in the quarter as compared to 2,709 wells drilled in 2018. The length of metres drilled also decreased by 30.8 percent during the current quarter to 4.57 million metres as compared to 6.60 million metres in 2018. In addition, a portion of our operations are related to the continued development and extraction of the oil sands deposits in western Canada, which is changing due to current crude oil pricing, lack of pipeline capacity to new markets and regulatory requirements.



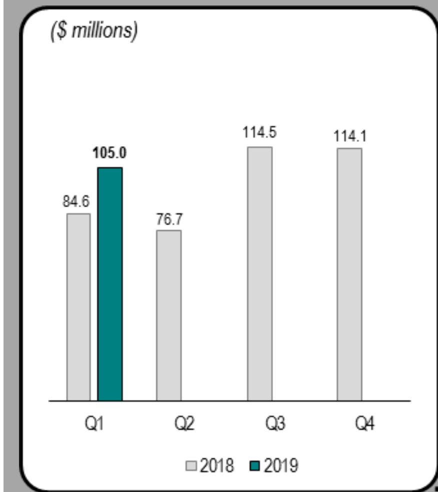

The number of wells completed on a geographic basis for the quarter was as follows:

| | Three month periods ended March 31 | | | |
|---|---|---|---|---|
| | **2019** | **2018** | **# Change** | **% Change** |
| British Columbia | **102** | 135 | (33) | (24.4) |
| Alberta | **1,388** | 1,644 | (256) | (15.6) |
| Saskatchewan | **611** | 849 | (238) | (28.0) |
| Manitoba | **73** | 81 | (8) | (9.9) |
| Northwest Territories | **—** | — | — | — |
| Total | **2,174** | 2,709 | (535) | (19.7) |

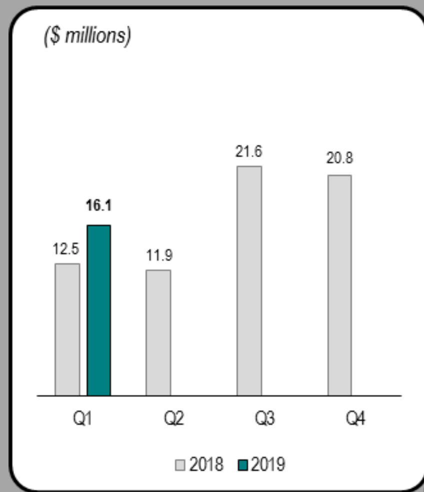
*source: JuneWarren-Nickle's Energy Group – wells completed on rig release basis.*

**Summary – Trailing Five Quarters**

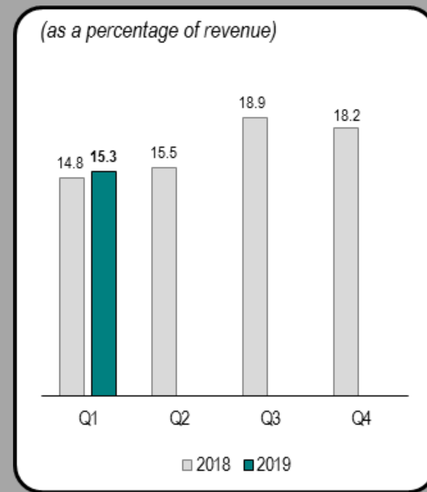
**Revenue**




**OIBDA**




**Operating Margin**[1]




## Revenue

| **Q1 Revenue – Oilfield Services** *(unaudited)* *($ millions)* | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%** | **$** | **%** | **$** | **%** |
| Company | **75.6** | **72.0** | 59.5 | 70.3 | 16.1 | 27.1 |
| Contractors | **29.1** | **27.7** | 24.8 | 29.3 | 4.3 | 17.3 |
| Other | **0.3** | **0.3** | 0.3 | 0.4 | — | — |
| Total | **105.0** | **100.0** | 84.6 | 100.0 | 20.4 | 24.1 |

Segment revenue increased by $20.4 million, or 24.1 percent, to $105.0 million as compared to $84.6 million in 2018 and represented 32.8 percent of pre-consolidated revenue as compared to 29.0 percent in 2018. The rise in revenue can be attributed to the $19.4 million of incremental revenue related to the acquisitions of AECOM ISD and Canadian Hydrovac and improved revenue generated by those Business Units providing specialized services. This increase was partially offset by the decline in drilling activity in the WCSB. Some of the specific factors that impacted revenue in the first quarter were the following:

- a $15.1 million increase in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to the acquisition of AECOM ISD;
- a $15.0 million increase in revenue generated by those Business Units providing specialized services primarily due to an $8.1 million increase in revenue at Premay Pipeline, a provider of pipeline hauling and stringing services as well as the acquisition of Canadian Hydrovac;
- a $9.1 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity due to the significant decline in drilling activity during the first quarter and intense competition; and
- a $0.1 million decrease in revenue generated by those Business Units providing drilling services due to slightly lower demand for conductor pipe setting services.

Revenue related to Company Equipment accounted for the majority of the segment revenue growth, increasing by $16.1 million, or 27.1 percent, to $75.6 million as compared to $59.5 million in 2018. Company Equipment revenue

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

represented 72.0 percent of segment revenue in the current period as compared to 70.3 percent in 2018. Revenue related to Contractors increased by $4.3 million, or 17.3 percent, to $29.1 million as compared to $24.8 million in 2018 and represented 27.7 percent of segment revenue in the current period as compared to 29.3 percent in 2018.

## Direct Operating Expenses

| **Q1 Direct Operating Expenses – Oilfield Services** *(unaudited)* *($ millions)* | **2019** | | **2018** | | **Change** | |
|---|---|---|---|---|---|---|
| | **$** | **%*** | **$** | **%*** | **$** | **%** |
| Company | | | | | | |
| Wages and benefits | **22.2** | **29.4** | 15.3 | 25.7 | 6.9 | 45.1 |
| Fuel | **7.2** | **9.5** | 6.2 | 10.4 | 1.0 | 16.1 |
| Repairs and maintenance | **12.8** | **16.9** | 11.0 | 18.5 | 1.8 | 16.4 |
| Purchased transportation | **0.4** | **0.5** | 0.4 | 0.7 | — | — |
| Operating supplies | **8.0** | **10.6** | 6.0 | 10.1 | 2.0 | 33.3 |
| Other | **2.3** | **3.1** | 1.9 | 3.2 | 0.4 | 21.1 |
| | **52.9** | **70.0** | 40.8 | 68.6 | 12.1 | 29.7 |
| Contractors | **23.7** | **81.4** | 19.5 | 78.6 | 4.2 | 21.5 |
| Total | **76.6** | **73.0** | 60.3 | 71.3 | 16.3 | 27.0 |

**as a percentage of respective Oilfield Services revenue*

DOE increased by $16.3 million, or 27.0 percent, to $76.6 million in the first quarter as compared to $60.3 million in 2018 due to the following factors:

- a $20.4 million, or 24.1 percent, rise in segment revenue;
- higher wages and benefits expense due to the operating nature of our acquisitions;
- lower fuel expense due to the fall in oil and diesel prices; and
- lower repairs and maintenance expense as a percentage of revenue due to a focus on cost controls.

As a percentage of revenue these expenses increased by 1.7 percent to 73.0 percent as compared to 71.3 percent in 2018.

DOE associated with Company Equipment in the first quarter increased to $52.9 million as compared to $40.8 million in 2018. The increase of $12.1 million, or 29.7 percent, was directly related to the $16.1 million, or 27.1 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 1.4 percent to 70.0 percent as compared to 68.6 percent in 2018, primarily due to higher wages and benefits expense that rose by 3.7 percent due to the operating nature of our most recent acquisitions. This increase was partially offset by continued cost control initiatives.

Contractors expense in the first quarter increased by $4.2 million to $23.7 million as compared to $19.5 million in 2018. This increase was generally in line with the increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 81.4 percent as compared to 78.6 percent in 2018 due to the AECOM ISD acquisition.

## Selling and Administrative Expenses

| Q1 Selling and Administrative Expenses – Oilfield Services *(unaudited)* *($ millions)* | 2019 | | 2018 | | Change | |
|---|---|---|---|---|---|---|
| | $ | %* | $ | %* | $ | % |
| Wages and benefits | **7.3** | **7.0** | 6.5 | 7.7 | 0.8 | 12.3 |
| Communications, utilities and general supplies | **3.8** | **3.6** | 3.6 | 4.3 | 0.2 | 5.6 |
| Profit share | **1.0** | **1.0** | 0.7 | 0.8 | 0.3 | 42.9 |
| Rent and other | **0.2** | **0.1** | 1.0 | 1.1 | (0.8) | (80.0) |
| Total | **12.3** | **11.7** | 11.8 | 13.9 | 0.5 | 4.2 |

**as a percentage of total Oilfield Services revenue*

S&A expenses were $12.3 million in the first quarter as compared to $11.8 million in 2018. The $0.5 million increase was attributable to the $1.8 million of incremental S&A expenses related to acquisitions being partially offset by the $0.8 million reduction in rent expense due to the adoption of IFRS 16 – Leases whereby previously expensed rent payments were capitalized under the new accounting framework. S&A expenses as a percentage of segment revenue declined to 11.7 percent in comparison to 13.9 percent in 2018, primarily due to the fixed nature of these expenses relative to the 24.1 percent increase in segment revenue.

## Operating Income Before Depreciation and Amortization

OIBDA in the first quarter increased by $3.6 million, or 28.8 percent, to $16.1 million as compared to $12.5 million in 2018. Once adjusted for the effect of the adoption of IFRS 16 – Leases, operating margin[1] was relatively flat. Operating margin[1] increased to 15.3 percent in the first quarter as compared to 14.8 percent in 2018, however, IFRS 16 – Leases had a 0.6 percent positive impact on the operating margin[1]. Margin gains due to the integration of the AECOM ISD assets and the greater proportion of higher margins generated by those Business Units providing specialized services were offset by the significant decline in margin generated by those Business Units most directly tied to drilling related activity. Some of the specific factors that impacted OIBDA in the first quarter were the following:

- a $4.3 million increase in those Business Units providing specialized services such as large diameter pipe stockpiling and stringing services as well as water management services;
- a $2.6 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $0.1 million increase in those Business Units involved in drilling services including conductor pipe setting; and
- a $3.4 million decrease in those Business Units tied to drilling related activity including pipe handling and storage.

## Capital Expenditures

Net capital expenditures[1] were $4.7 million in the first quarter of 2019, an increase of $2.9 million as compared to $1.8 million in 2018. The Oilfield Services segment had gross capital expenditures of $7.6 million and dispositions of $2.9 million for net capital expenditures[1] of $4.7 million in 2019. The majority of the new capital was invested at Envolve to expand our plant near Grande Prairie, Alberta. Capital was also allocated to purchase trucks to support the AECOM ISD business acquired in 2018, to replace some pumps at Canadian Dewatering and to purchase hydrovac equipment for Canadian Hydrovac. The majority of the dispositions related to transferring some hydrovac equipment to the Trucking/Logistics segment to support growth opportunities. In 2018 gross capital expenditures were $4.5 million and dispositions were $2.7 million for net capital expenditures[1] of $1.8 million.

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

## 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 $2.2 million in the first quarter of 2019 as compared to a loss of $0.4 million in 2018. The $1.8 million increase in loss was mainly attributable to lower income generated from real estate holdings and from higher salary costs associated with the new retention plan for corporate personnel and Business Unit leaders. In the first quarter of 2019, the Corporate Office recorded a foreign exchange loss of $0.1 million as compared to a foreign exchange gain of $0.1 million in 2018.

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# CAPITAL RESOURCES AND LIQUIDITY

## Consolidated Cash Flow Summary

| *(unaudited)* *($ millions)* | Three month periods ended March 31 | |
|---|---|---|
| | **2019** | **2018** |
| Net cash from operating activities | **$ 24.2** | $ 21.8 |
| Net cash used in financing activities | **(13.2)** | (15.4) |
| Net cash used in investing activities | **(12.2)** | (17.2) |
| Change in cash and cash equivalents | **(1.2)** | (10.8) |
| Effect of exchange rate fluctuations on cash held | **(0.2)** | 0.3 |
| Cash and cash equivalents, beginning of period | **3.9** | 134.5 |
| Cash and cash equivalents, end of period | **$ 2.5** | $ 124.0 |

## Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $24.2 million in the first three months of 2019 as compared to $21.8 million in 2018. Net cash used in financing activities in 2019 was $13.2 million as compared to using $15.4 million in 2018. The $2.2 million decrease in cash used was mainly due to $5.3 million of borrowings on the Bank Credit Facility in 2019. Net cash used in investing activities decreased by $5.0 million due to a reduction in cash used on acquisitions being somewhat offset by a greater amount of capital expenditures in 2019. Specific changes in cash flow are set forth below.

### *Cash From Operating Activities*

Net cash from operating activities increased to $24.2 million in the first quarter of 2019 as compared to $21.8 million in 2018. The increase of $2.4 million was mainly due to a $3.0 million decrease in cash used in non-cash working capital items and from a $6.1 million increase in OIBDA. These items were somewhat offset by a $7.0 million increase in cash taxes paid.

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** *(unaudited)* *($ millions)* | Three month periods ended March 31 | | |
|---|---|---|---|
| | **2019** | **2018** | **Variance** |
| | **$** | **$** | **$** |
| Sources (uses) of cash | | | |
| Trade and other receivables | **1.3** | (7.9) | 9.2 |
| Inventory | **—** | — | — |
| Prepaid expenses | **(3.5)** | — | (3.5) |
| Accounts payable and accrued liabilities | **(3.9)** | (1.2) | (2.7) |
| Total sources (uses) of cash from non-cash working capital items | **(6.1)** | (9.1) | 3.0 |

In the first three months of 2019 we continued to fund growth and used $6.1 million of cash from changes in non-cash working capital items from operating activities as compared to using $9.1 million of cash in 2018. This $3.0 million variance was mainly due to the following factors.

- In 2019 we generated $1.3 million of cash from trade and other receivables as compared to using $7.9 million in the prior year. Cash is generated when there is a decrease in the carrying value of trade and other receivables from one period to the next. The seasonality of our business has changed significantly over the past several years due to the growth in our Trucking/Logistics segment through both our acquisition strategy and from an increase in capital expenditures made within this segment. In contrast, the Oilfield Services segment continues to be impacted by reduced capital spending by energy producers resulting in lower drilling activity in western Canada resulting in a decrease in demand for services from many of our Business Units in that segment. The Trucking/Logistics segment now represents approximately 67.2 percent of our consolidated revenue with customer demand being the highest in both the third and fourth quarters while the first quarter is generally the lowest due to reduced freight volumes following the holiday season. As a result, the decrease in consolidated revenue and trade receivables on a quarter over quarter basis is now more prominent than in years past. Revenue decreased by $13.7 million in the first quarter of 2019 as compared to the fourth quarter of 2018 whereas the decrease in the corresponding period from the prior year was only $4.0 million. This change in seasonality has impacted the timing of when we are required to finance growth in our trade and other receivables on a short-term basis.

- An additional $3.5 million of cash was used from prepaid expenses that resulted from the combined effect of a $3.5 million use of cash in 2019 as compared to a nil amount in 2018.

- An additional $2.7 million of cash was used from accounts payable and accrued liabilities that resulted from the combined effect of a $3.9 million use of cash in 2019 as compared to a $1.2 million use of cash in 2018. Cash is used when there is a decrease in the carrying value of accounts payable and accrued liabilities from one period to the next. The aforementioned change in the seasonality of our business has again impacted the timing of our short-term cash requirements from operating activities. A more prominent decrease in consolidated revenue on a quarter over quarter basis will also tend to have a more significant corresponding decrease in accounts payable and accrued liabilities resulting in a larger use of cash.

***Cash Used In Financing Activities***

Net cash used in financing activities was $13.2 million in 2019 as compared to using $15.4 million in 2018. This $2.2 million variance was mainly due to the factors set forth below.

- A $5.3 million increase in cash from borrowings on the Bank Credit Facility.

- A $2.3 million decrease in the repayment of long-term debt and loans, which was mainly due to the 2018 repayment of $1.8 million of debt acquired on the DWS acquisition.

Somewhat offsetting these items were the following:

- A $2.2 million increase in dividends paid to shareholders in 2019 as compared to 2018 due to an increase in the amount of the monthly dividend and the number of Common Shares outstanding by virtue of the conversion of some Debentures in 2018.

- A $2.9 million increase in the repayment of lease liabilities due to the January 1, 2019 adoption of IFRS 16 – Leases.

- A $0.3 million increase in interest paid on lease liabilities and long-term debt.

***Cash Used In Investing Activities***

Net cash used in investing activities decreased to $12.2 million in 2019 as compared to $17.2 million in 2018. This $5.0 million decrease was mainly due to the factors set forth below.

- An $8.3 million decrease in cash used to fund acquisitions due to the 2018 acquisition of DWS as compared to no acquisitions being completed in the first quarter of 2019.

- A $1.3 million variance in changes in non-cash working capital items from investing activities.

- A $0.2 million change in other assets and net investment in finance leases.

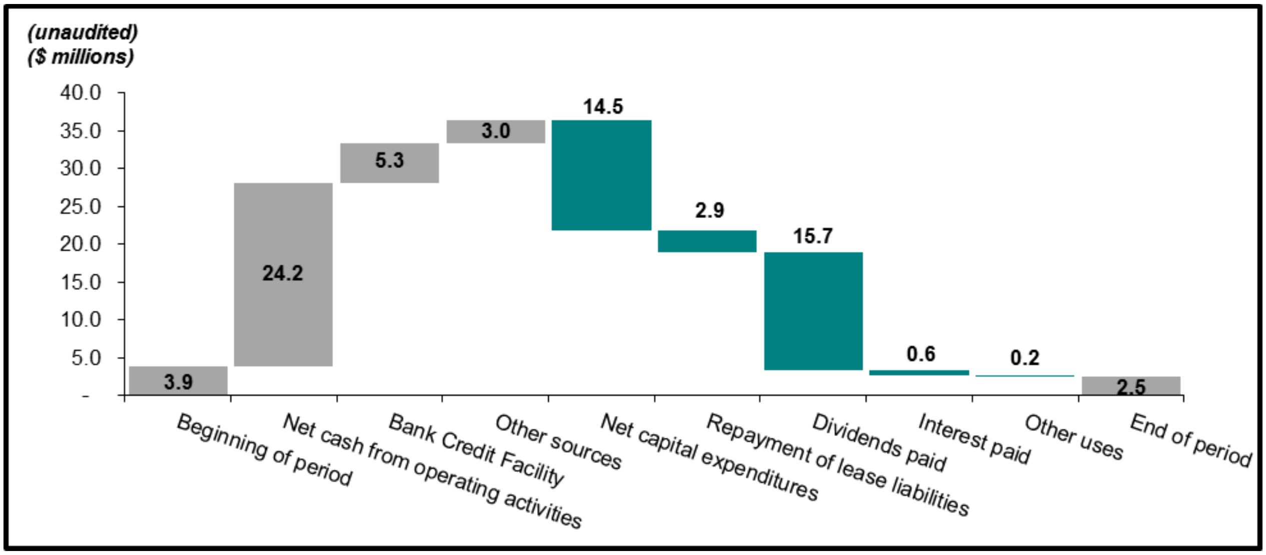
Somewhat offsetting these items was the following:

- A $4.5 million increase in net capital expenditures[1]. In 2019 net capital expenditures[1] were $14.5 million as compared to $10.0 million in 2018.

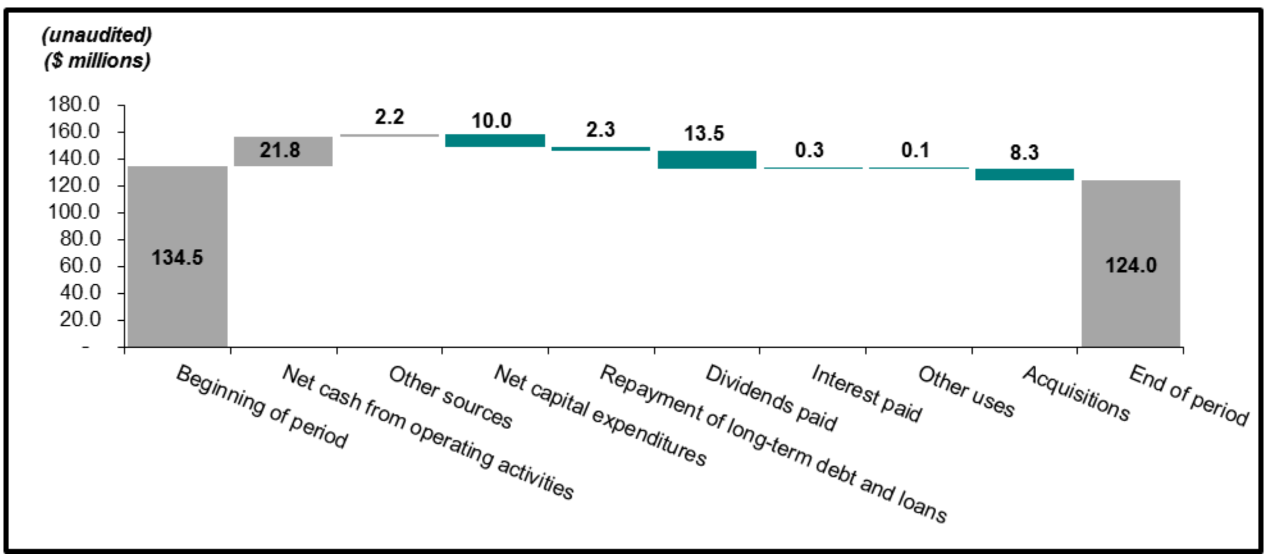
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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

## Three month period ended March 31, 2019




## Three month period ended March 31, 2018




In addition to the $24.2 million (2018 – $21.8 million) of net cash from operating activities, we also borrowed $5.3 million (2018 – nil) from our Bank Credit Facility and $3.0 million (2018 – $2.2 million) of cash was received from other sources, which mainly consisted of changes in non-cash working capital items from financing and investing activities and from interest income generated on cash and cash equivalents. Cash was used to repay lease liabilities of $2.9 million (2018 – nil), fund acquisitions of nil (2018 – $8.3 million), repay long-term debt and loans of nil (2018 – $2.3 million), pay dividends totalling $15.7 million (2018 – $13.5 million), incur net capital expenditures[1] of $14.5 million (2018 – $10.0 million) and pay interest obligations of $0.6 million (2018 – $0.3 million). We also had $0.2 million (2018 – $0.1 million) of other uses.

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

## Working Capital

At March 31, 2019, we had $124.9 million (December 31, 2018 – $131.7 million) of working capital. Included within working capital is $35.3 million of bank indebtedness, which consists of amounts drawn against our Bank Credit Facility. On October 24, 2018, the Bank Credit Facility was increased by $50.0 million to $125.0 million. This working capital also includes a current liability of $9.4 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 2019 are available to finance our ongoing working capital requirements, our 2019 capital budget, as well as various special projects and acquisition opportunities.

## Capital Expenditures

On February 6, 2019, the Board approved a $75.0 million capital budget for 2019 exclusive of corporate acquisitions and special projects with $40.0 million to be allocated to the Trucking/Logistics segment, primarily to replace trucks, trailers and specialized equipment to support the operations of these Business Units, $20.0 million allocated to the Oilfield Services segment to support growth at Envolve and Canadian Dewatering and $15.0 million allocated to the Corporate Office mainly to expand our real estate holdings. The Board will continue to monitor both of the sectors of the economy we serve and will adjust the capital budget as new opportunities arise.

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, provides us with the ability to redeploy certain assets over different regions for greater utilization. In the first three months of 2019, there were $2.1 million of trucks and trailers transferred to Business Units in the Trucking/Logistics segment from the Oilfield Services segment. It also provides us with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

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## Debt

As at March 31, 2019, we had net debt[1] outstanding of $382.3 million, (December 31, 2018 – $350.5 million), which consisted of total debt of $551.9 million (December 31, 2018 – $512.2 million) less working capital (excluding the current portion of leases and the Bank Credit Facility) of $169.6 million (December 31, 2018 – $161.7 million). The primary reason for the increase in the carrying value of the long-term debt was due to adopting IFRS 16 – Leases on January 1, 2019, resulting in $40.8 million of lease liabilities being added to the consolidated statement of financial position. Total debt is comprised of the Private Placement Debt, lease liabilities and the Bank Credit Facility. The following table summarizes our total debt and net debt[1] as at March 31, 2019, and December 31, 2018:

| | | March 31, 2019 | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| ***($ 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** | **$ 156.3** | $ 117.0 | $ 159.6 | **$ (3.3)** |
| Series H - matures October 22, 2026 | 3.94% | **112.0** | **149.7** | 112.0 | 152.8 | **(3.1)** |
| 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)] | **—** | **35.3** | — | 30.0 | **5.3** |
| Less: | | | | | | |
| Unamortized debt issuance costs | | **—** | **(1.2)** | — | (1.2) | — |
| Long-term debt (including the current portion) | | **229.0** | **511.1** | 229.0 | 512.2 | **(1.1)** |
| Lease liabilities (including the current portion) | 3.2% | | **40.8** | — | — | **40.8** |
| **Total debt** | | **$ 229.0** | **$ 551.9** | $ 229.0 | $ 512.2 | **$ 39.7** |
| Less: | | | | | | |
| Working capital (excluding the Bank Credit Facility and the current portion of leases) | | | **169.6** | | 161.7 | **7.9** |
| **Net debt[(2)]** | | | **$ 382.3** | | $ 350.5 | **$ 31.8** |

*(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".*

<u>Total Net Debt[1] to Operating Cash Flow</u>. 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 including 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. The term "**operating cash flow**" 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; 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 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 | March 31 2019 | December 31 2018 |
|---|---|---|
| Total net debt(1) | $ 519.1 | $ 474.1 |
| Operating cash flow | $ 198.5 | $ 192.8 |
| Total net debt(1) to operating cash flow | 2.62:1 | 2.46:1 |

*(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.

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

| Financial Covenants | Financial Covenant Threshold | March 31 2019 | December 31 2018 |
|---|---|---|---|
| Private Placement Debt Covenants | | | |
| (a) Total net debt(1) to operating cash flow cannot exceed | 3.50:1 | 2.62:1 | 2.46:1 |
| (b) Total earnings available for fixed charges to total fixed charges cannot be less than | 1.75:1 | 6.55:1 | 5.89:1 |

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

Total net debt[1] to operating cash flow was 2.62:1 at March 31, 2019. Assuming the $519.1 million of total net debt[1] remains constant, we would need to generate approximately $148.3 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.

Our debt-to-equity ratio was 0.62:1 at March 31, 2019, as compared to 0.57:1 at December 31, 2018. This increase in the debt-to-equity ratio was due to the net effect of a $39.7 million increase in total debt (including the current portion) and a $3.8 million decrease in equity as compared to December 31, 2018. The $39.7 million increase in total debt was mainly due to an additional $40.8 million of lease liabilities (including the current portion) resulting from the January 1, 2019, adoption of IFRS 16 – Leases and from a $5.3 million increase in the amount drawn on our Bank Credit Facility. These increases were somewhat offset by the $6.4 million foreign exchange gain on the Corporation's U.S. dollar debt. The $3.8 million decrease in equity mainly resulted from the $15.7 million of dividends declared to shareholders being somewhat offset by the $11.6 million of net income being recognized in the first quarter of 2019.

## Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 44 of the 2018 MD&A. As at March 31, 2019, Mullen Group's contractual obligations have not changed significantly from this overview.

## 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.

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

### *Common Shares*

| Common Shares<br>Authorized: Unlimited Number | # of Common Shares | | Amount<br>*($ millions)* |
|---|---|---|---|
| Balance at March 31, 2019 | **104,824,973** | **$** | **946.9** |

At March 31, 2019, there were 104,824,973 Common Shares outstanding representing $946.9 million in share capital. There was no change in the number of Common Shares outstanding during the first quarter of 2019.

### *Stock Option Plan*

| | Options | | Weighted average exercise price |
|---|---|---|---|
| Outstanding – December 31, 2018 | 3,462,500 | $ | 19.15 |
| Granted | — | | — |
| Exercised | — | | — |
| Forfeited | (40,000) | | (16.40) |
| Outstanding – March 31, 2019 | **3,422,500** | | **19.18** |
| Exercisable – March 31, 2019 | **2,417,490** | | **20.21** |

In the first three months of 2019 there were no stock options granted, no stock options exercised and 40,000 stock options forfeited. As at March 31, 2019, Mullen Group had 3,422,500 stock options outstanding under the stock option plan.

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# SUMMARY OF QUARTERLY RESULTS

## Seasonality of Operations

Revenue and profitability within the Trucking/Logistics 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 this segment in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions. The Trucking/Logistics segment represents approximately 67.0 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 this segment. 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 Oilfield Services segment relates to the moving of heavy equipment, drilling rigs and drilling supplies such as oilfield fluids, tubulars and drilling mud and providing services such as conductor pipe-setting, core drilling and casing setting in northern and 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 rigs and other 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 of the oil and gas companies and corresponding declines in the demand for oilfield 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] | 2019 | 2018 | | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| ***(unaudited)*** | | **Q1** | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 |
| ***($ millions, except per share amounts)*** | **$** | **$** | **$** | **$** | **$** | **$** | $ | $ | $ |
| Revenue | **1,288.3** | **319.6** | **333.3** | **339.7** | **295.7** | **292.1** | 296.1 | 283.9 | 273.6 |
| Operating income before depreciation and amortization[2] | **195.1** | **44.0** | **51.7** | **55.1** | **44.3** | **37.9** | 46.0 | 44.7 | 39.8 |
| Net income (loss) | **(33.7)** | **11.6** | **(81.1)** | **21.9** | **13.9** | **1.5** | 5.4 | 26.0 | 19.6 |
| Earnings (loss) per share | | | | | | | | | |
| Basic | **(0.32)** | **0.11** | **(0.77)** | **0.21** | **0.13** | **0.01** | 0.05 | 0.25 | 0.19 |
| Diluted | **(0.32)** | **0.11** | **(0.77)** | **0.21** | **0.13** | **0.01** | 0.05 | 0.25 | 0.19 |
| **Other Information** | | | | | | | | | |
| Net foreign exchange (gain) loss | **1.2** | **(1.1)** | **2.2** | **(1.8)** | **1.9** | **6.2** | 1.3 | (11.3) | (9.4) |
| Decrease (increase) in fair value of investments | **1.5** | **(0.1)** | **1.7** | **0.3** | **(0.4)** | **1.5** | (0.6) | 0.1 | 0.2 |

*(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.*

*(2) The Corporation adopted IFRS 16 – Leases effective January 1, 2019. Prior period results are not comparable to the current year presentation.*

Consolidated revenue in the first quarter improved from the prior year with the Trucking/Logistics segment generating record first quarter revenue along with revenue gains also being experienced in the Oilfield Services segment. Consolidated revenue in the first quarter of 2019 increased by $27.5 million, or 9.4 percent, to $319.6 million as compared to $292.1 million in 2018. The increase of $27.5 million was primarily due to $23.4 million of incremental revenue from acquisitions. Revenue in the Trucking/Logistics segment increased by $7.7 million during the quarter of which $4.0 million was due to acquisitions while fuel surcharge revenue decreased by $0.3 million. Our regional LTL business improved due to revenue gains at Gardewine while truckload services benefitted from certain one-time projects. Revenue generated by the Oilfield Services segment increased by $20.4 million or 24.1 percent and is mainly attributable to the AECOM ISD and Canadian Hydrovac acquisitions and stronger demand for large diameter pipeline hauling and stringing services. These increases were partially offset by a decline in drilling activity in the WCSB. Net income in the first quarter of 2019 was $11.6 million, an increase of $10.1 million from the $1.5 million of net income generated in 2018. The $10.1 million increase in net income was mainly attributable to a $7.3 million positive variance in net foreign exchange, a $6.1 million increase in OIBDA, a $1.6 million positive variance in the fair value of investments and a $0.5 million decrease in finance costs. These increases were partially offset by a $2.8 million increase in depreciation of right-of-use assets, a $1.0 million increase in depreciation of property, plant and equipment and a $0.9 million increase in amortization of intangible assets. As a result, basic earnings per share in the first quarter of 2019 was $0.11, an increase of $0.10, from the $0.01 of earnings per share generated in 2018.

Consolidated revenue in the fourth quarter improved from the prior year with the Trucking/Logistics segment generating record fourth quarter revenue along with revenue gains also being experienced in the Oilfield Services segment. Consolidated revenue in the fourth quarter of 2018 increased by $37.2 million, or 12.6 percent, to $333.3 million as compared to $296.1 million in 2017. The increase of $37.2 million was primarily due to $29.2 million of incremental revenue from acquisitions. Revenue in the Trucking/Logistics segment increased by $13.1 million during the quarter of which $7.9 million was due to acquisitions while fuel surcharge revenue rose by $5.2 million. Our regional LTL business improved and revenue from our truckload services rose due to greater customer demand. Revenue generated by the Oilfield Services segment increased by $24.7 million or 27.6 percent and is mainly attributable to the AECOM ISD and Canadian Hydrovac acquisitions and stronger demand for large diameter pipeline hauling and stringing services. These increases were partially offset by a decline in drilling activity in the WCSB. Net income (loss) in the fourth quarter of 2018 was $(81.1) million, a decrease of $86.5 million from the $5.4 million of net income generated in 2017. The $86.5 million decrease in net income was mainly attributable to a $100.0 million impairment of goodwill, a $2.3 million negative variance in the fair value of investments and a $1.1 million increase in amortization of intangible assets. These decreases were partially offset by a $5.9 million decrease in depreciation of property, plant and equipment, a $5.7 million increase in OIBDA and a $4.1 million decrease in income tax expense. As a result, basic earnings (loss) per share in the fourth quarter of 2018 was $(0.77), a decrease of $0.82, from the $0.05 of earnings per share generated in 2017.

Consolidated revenue in the third quarter improved from the prior year with the Trucking/Logistics segment generating record quarterly revenue along with revenue gains also being experienced in the Oilfield Services segment. Consolidated revenue in the third quarter of 2018 increased by $55.8 million, or 19.7 percent, to $339.7 million as compared to $283.9 million in 2017. The increase of $55.8 million was primarily due to $35.1 million of incremental revenue from acquisitions. Revenue in the Trucking/Logistics segment increased by $36.0 million during the quarter of which $12.5 million was due to acquisitions while fuel surcharge revenue rose by $7.6 million. Our regional LTL business improved and revenue from our truckload services rose due to greater demand combined with tightness in the supply chain resulting in some rate increases. Revenue generated by the Oilfield Services segment increased by $20.9 million, or 22.3 percent, and is mainly attributable to the AECOM ISD and Canadian Hydrovac acquisitions being partially offset by a decline in drilling activity for deep natural gas in the WCSB. Net income in the third quarter of 2018 was $21.9 million, a decrease of $4.1 million from the $26.0 million of net income generated in 2017. The $4.1 million decrease in net income was mainly attributable to a $9.5 million negative variance in foreign exchange, a $2.7 million increase in income tax expense and a $2.0 million gain on contingent consideration recorded in 2017. These decreases were partially offset by a $10.4 million increase in OIBDA. As a result, basic earnings per share in the third quarter of 2018 was $0.21, a decrease of $0.04, from the $0.25 of earnings per share generated in 2017.

Consolidated revenue in the second quarter improved from the prior year with record quarterly Trucking/Logistics segment revenue being partially offset by a reduction in Oilfield Services segment revenue. Consolidated revenue in the second quarter of 2018 increased by $22.1 million, or 8.1 percent, to $295.7 million as compared to $273.6 million in 2017. The increase of $22.1 million was primarily due to $36.2 million of additional revenue generated by the Trucking/Logistics segment being partially offset by a $14.1 million decrease in the Oilfield Services segment. Revenue in the Trucking/Logistics segment increased by $36.2 million during the quarter due to the incremental revenue generated from the recent acquisitions, market share gains, an increase in demand for freight services in western Canada and from greater fuel surcharge revenue. Revenue generated by the Oilfield Services segment decreased by $14.1 million due to lower revenue being generated by those Business Units providing drilling and drilling related services, a decline in demand for large diameter pipeline hauling and stringing and heavy haul services and a reduction in demand for fluid hauling and dewatering services. Net income in the second quarter of 2018 was $13.9 million, a decrease of $5.7 million from the $19.6 million of net income generated in 2017. The $5.7 million decrease in net income was mainly attributable to an $11.3 million negative variance in foreign exchange, a $1.0 million increase in amortization of intangible assets and a $2.5 million increase in income tax expense. These decreases were partially offset by a $4.5 million increase in OIBDA, a $2.3 million decrease in finance costs, and a $1.3 million increase in the gain on sale of property, plant and equipment. As a result, basic earnings per share in the second quarter of 2018 was $0.13, a decrease of $0.06, from the $0.19 of earnings per share generated in 2017.

## TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 63 of the 2018 MD&A. As at March 31, 2019, the transactions with related parties have not changed significantly from these descriptions.

All of the transactions with related parties occurred in the normal course of operations with terms consistent with those offered to arms-length parties and are measured at the exchange amount. Mullen Group has no long-term contracts with any related party.

## PRINCIPAL RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties can be found beginning on page 64 of the 2018 MD&A. As at March 31, 2019, these business risks and uncertainties have not changed significantly from those descriptions and are summarized as follows:.

| STRATEGIC RISKS: | FINANCIAL RISKS: | OPERATIONAL RISKS: |
|---|---|---|
| • geopolitical risks<br>  ◦ general economy<br>  ◦ natural gas and oil drilling and oil sands development<br>  ◦ changes in the legal framework<br>• e-commerce and supply chain evolution<br>• acquisitions<br>• competition | • foreign exchange rates<br>• investments<br>• access to financing<br>• reliance on major customers<br>• impairment of goodwill or intangible assets<br>• credit risk<br>• interest rates | • labour relations<br>• cost escalation & fuel costs<br>• operations risks & insurance<br>• digital infrastructure & cyber security<br>• business continuity<br>• environmental liability risks<br>• weather & seasonality<br>• access to parts & key suppliers<br>• regulation<br>• litigation |

## CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations and is based upon our Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 79 of the 2018 MD&A. As at March 31, 2019, our critical accounting estimates have not changed significantly from such description.

# SIGNIFICANT ACCOUNTING POLICIES

## New Standards and Interpretations Not Yet Adopted

A description of new standards and interpretations not yet adopted can be found on page 82 of the 2018 MD&A. There have been no new standards or interpretations issued during 2019 that significantly impact Mullen Group.

## Changes in Accounting Policies

***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. Under the principles of the new standard, Mullen Group recognized lease liabilities related to its lease commitments. These lease liabilities are measured at the present value of the remaining lease payments, discounted using the Corporation's incremental borrowing rate as at January 1, 2019. The associated right-of-use assets were measured at the lease liability amount on January 1, 2019 resulting in no adjustment to the opening balance of retained earnings. The Corporation is using the following practical expedients permitted under the new standard:

(i) Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;

(ii) Leases of low dollar value will continue to be expensed as incurred; and

(iii) The Corporation will not apply any grandfathering practical expedients.

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.

# DISCLOSURE AND INTERNAL CONTROLS

## Disclosure Controls and Internal Controls over Financial Reporting

As at March 31, 2019, 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 March 31, 2019, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

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.

Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at March 31, 2019, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at March 31, 2019 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 the start to 2019 has been less than inspiring but this was anticipated, as referred to in the Outlook section beginning on page 6. This forward-looking statement is due to the challenges associated with the troubling market correction in the fourth quarter of 2018, which negatively impacted business investment and the economy in general.

- Mullen Group's comment that there is some room for a recovery in both operating segments as the year progresses, as referred to in the Outlook section beginning on page 6. This forward-looking statement is based on the assumption that it appears that many of the recent headwinds may be subsiding, at least modestly.

- Mullen Group's comment that we have not altered our expectations for fiscal 2019 as articulated in earlier correspondence to shareholders, as referred to in the Outlook section beginning on page 6. This forward-looking statement is based on the assumption that we are seeing a more constructive market environment. With the U.S. Federal Reserve Chairman's recent statements that monetary policy will be more accommodative, interest rates have declined, which has historically been a precursor to growth in many important sectors of the economy. We believe that this decision also takes the pressure off of the Bank of Canada and as such it should be positive for the Canadian economy as the year unfolds.

- Mullen Group's expectation that at least a portion of the increase in industry cash flow will be reinvested in drilling activity later this year, as referred to in the Outlook section beginning on page 6. This forward-looking statement is based on the assumption that crude oil is now trading significantly higher than just a few months earlier.

- Mullen Group's intention to pay monthly dividends of $0.05 per Common Share for 2019, as referred to in the Dividends section beginning on page 8. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the monthly dividend.

- Mullen Group's approval of a $75.0 million capital budget for 2019, exclusive of corporate acquisitions and special projects, with $40.0 million allocated towards the Trucking/Logistics segment primarily to replace trucks, trailers and specialized equipment to support the operations of these Business Units, $20.0 million to the Oilfield Services segment to support growth at Envolve and Canadian Dewatering and $15.0 million allocated to the Corporate Office mainly to expand our real estate holdings, as referred to in the Capital Expenditures section beginning on pages 8 and 32. This forward-looking statement is based on the assumption that our Business Units will require capital to support their ongoing operations and growth opportunities.

- Mullen Group's intention to use working capital, the Bank Credit Facility (as defined on page 10) and the anticipated cash flow from operating activities in 2019 to finance our ongoing working capital requirements, our 2019 capital budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 29. 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, the risks associated with the service and energy industry in general; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory, securityholder and other approvals as may be required from time to time; and changes in legislation, including but not limited to tax laws and environmental regulations. 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 Interim 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.

## 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 and from the change in fair value of investments. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See page 19 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)*<br>*($ millions)* | **Three month periods ended March 31** | | | |
|---|---|---|---|---|
| | | **2019** | | **2018** |
| Purchase of property, plant and equipment | **$** | **15.9** | $ | 11.8 |
| Proceeds on sale of property, plant and equipment | | **(1.4)** | | (1.8) |
| Net capital expenditures | **$** | **14.5** | $ | 10.0 |

## Net Debt

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

| *(unaudited)*<br>*($ millions)* | | March 31, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Long-term debt | **$** | **475.8** | $ | 482.2 |
| Lease liabilities (non-current portion) | | **31.4** | | — |
| Total debt | | **507.2** | | 482.2 |
| Less working capital: | | | | |
| Current assets | | **276.5** | | 272.1 |
| Current liabilities | | **(151.6)** | | (140.4) |
| Total working capital | | **124.9** | | 131.7 |
| Net debt | **$** | **382.3** | $ | 350.5 |

## Total Net Debt

The term "*total net debt*" means all debt including 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)*<br>*($ millions)* | | March 31, 2019 |
|---|---|---|
| Private Placement Debt | **$** | **475.8** |
| Lease liabilities (including the current portion) | | **40.8** |
| Bank Credit Facility | | **35.3** |
| Letters of credit | | **4.1** |
| Total debt | | **556.0** |
| Less: unrealized gain on Cross-Currency Swaps | | **(36.9)** |
| Add: unrealized loss on Cross-Currency Swaps | | — |
| Total net debt | **$** | **519.1** |

## 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)*<br>*($ millions, except share and per share amounts)* | Three month periods ended March 31 | | | |
|---|---|---|---|---|
| | | 2019 | | 2018 |
| Net cash from operating activities | **$** | **24.2** | $ | 21.8 |
| Weighted average number of Common Shares outstanding | | **104,824,973** | | 103,654,316 |
| Cash flow per share | **$** | **0.23** | $ | 0.21 |

MARCH 31, 2019

INTERIM FINANCIAL STATEMENTS

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(unaudited)*<br>*(thousands)* | **Note** | | **March 31**<br>**2019** | | **December 31**<br>**2018** |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | | **$** | **2,539** | $ | 3,916 |
| Trade and other receivables | **5** | | **217,833** | | 218,089 |
| Inventory | | | **33,881** | | 33,878 |
| Prepaid expenses | | | **15,364** | | 11,838 |
| Current tax receivable | | | **6,913** | | 4,404 |
| | | | **276,530** | | 272,125 |
| Non-current assets: | | | | | |
| Property, plant and equipment | | | **962,031** | | 965,683 |
| Right-of-use assets | **6** | | **36,836** | | — |
| Goodwill | | | **265,277** | | 265,277 |
| Intangible assets | | | **45,844** | | 50,270 |
| Investments | | | **36,942** | | 36,269 |
| Deferred tax assets | | | **9,007** | | 9,187 |
| Derivative financial instruments | **7** | | **36,943** | | 42,211 |
| Other assets | **8** | | **6,851** | | 4,830 |
| | | | **1,399,731** | | 1,373,727 |
| Total Assets | | **$** | **1,676,261** | $ | 1,645,852 |
| Liabilities and Equity | | | | | |
| Current liabilities: | | | | | |
| Bank indebtedness | **12** | **$** | **35,300** | $ | 30,000 |
| Accounts payable and accrued liabilities | | | **101,586** | | 99,276 |
| Dividends payable | **9** | | **5,241** | | 5,241 |
| Current tax payable | | | **105** | | 5,905 |
| Lease liabilities – current portion | **11** | | **9,358** | | — |
| | | | **151,590** | | 140,422 |
| Non-current liabilities: | | | | | |
| Long-term debt | **12** | | **475,842** | | 482,185 |
| Lease liabilities | **11** | | **31,406** | | — |
| Asset retirement obligations | | | **1,048** | | 1,044 |
| Deferred tax liabilities | | | **122,091** | | 124,125 |
| | | | **630,387** | | 607,354 |
| Equity: | | | | | |
| Share capital | **13** | | **946,910** | | 946,910 |
| Contributed surplus | | | **15,834** | | 15,477 |
| Deficit | | | **(68,460)** | | (64,311) |
| | | | **894,284** | | 898,076 |
| Total Liabilities and Equity | | **$** | **1,676,261** | $ | 1,645,852 |

*The notes which begin on page 48 are an integral part of these condensed interim consolidated financial statements.*

Approved by the Board of Directors on April 24, 2019, after review by the Audit Committee.

***"Signed: Murray K. Mullen"***

Murray K. Mullen, Director

***"Signed: Philip J. Scherman"***

Philip J. Scherman, Director

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *(unaudited)*<br>*(thousands, except per share amounts)* | Note | Three month periods ended March 31<br>2019 | <br>2018 |
|---|---|---|---|
| Revenue | 16 | **$ 319,562** | $ 292,131 |
| Direct operating expenses | | **233,350** | 214,350 |
| Selling and administrative expenses | | **42,242** | 39,920 |
| Operating income before depreciation and amortization | | **43,970** | 37,861 |
| Depreciation of property, plant and equipment | | **17,375** | 16,377 |
| Depreciation of right-of-use assets | | **2,790** | — |
| Amortization of intangible assets | | **4,426** | 3,511 |
| Finance costs | | **4,907** | 5,410 |
| Net foreign exchange (gain) loss | 7 | **(1,121)** | 6,162 |
| Other (income) expense | 17 | **(41)** | 1,403 |
| Income before income taxes | | **15,634** | 4,998 |
| Income tax expense | 10 | **4,059** | 3,517 |
| Net income and total comprehensive income | | **$ 11,575** | $ 1,481 |
| Earnings per share: | 14 | | |
| Basic | | **$ 0.11** | $ 0.01 |
| Diluted | | **$ 0.11** | $ 0.01 |
| Weighted average number of Common Shares outstanding: | 14 | | |
| Basic | | **104,825** | 103,654 |
| Diluted | | **104,825** | 103,654 |

*The notes which begin on page 48 are an integral part of these condensed interim consolidated financial statements.*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(unaudited)* (*thousands*) | 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** | **—** | **—** | **—** | **11,575** | **11,575** |
| **Stock-based compensation expense** | **—** | **—** | **357** | **—** | **357** |
| **Dividends declared to common shareholders** | **—** | **—** | **—** | **(15,724)** | **(15,724)** |
| **Balance at March 31, 2019** | **$ 946,910** | **$ —** | **$ 15,834** | **$ (68,460)** | **$ 894,284** |

| *(unaudited)* (*thousands*) | Share capital | Convertible debentures – equity component | Contributed surplus | Retained earnings | Total |
|---|---|---|---|---|---|
| **Balance at January 1, 2018** | $ 933,303 | $ 550 | $ 13,807 | $ 42,071 | $ 989,731 |
| Total comprehensive income for the period | — | — | — | 1,481 | 1,481 |
| Stock-based compensation expense | — | — | 508 | — | 508 |
| Dividends declared to common shareholders | — | — | — | (15,548) | (15,548) |
| **Balance at March 31, 2018** | $ 933,303 | $ 550 | $ 14,315 | $ 28,004 | $ 976,172 |

*The notes which begin on page 48 are an integral part of these condensed interim consolidated financial statements.*

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| *(unaudited)* *(thousands)* | Note | Three month periods ended March 31 2019 | 2018 |
|---|---|---|---|
| Cash provided by (used in): | | | |
| **Cash flows from operating activities:** | | | |
| Net income | | **$ 11,575** | $ 1,481 |
| Adjustments for: | | | |
| Depreciation and amortization | | **24,591** | 19,888 |
| Finance costs | | **4,907** | 5,410 |
| Stock-based compensation expense | | **357** | 508 |
| Foreign exchange loss (gain) on cross-currency swaps | **7** | **5,268** | (1,830) |
| Foreign exchange (gain) loss | | **(6,195)** | 7,737 |
| Change in fair value of investments | **17** | **(121)** | 1,515 |
| Loss on sale of property, plant and equipment | **17** | **628** | 296 |
| Earnings from equity investments | **17** | **(552)** | (411) |
| Accretion on asset retirement obligations | **17** | **4** | 3 |
| Income tax expense | **10** | **4,059** | 3,517 |
| Cash flows from operating activities before non-cash working capital items | | **44,521** | 38,114 |
| Changes in non-cash working capital items from operating activities | **18** | **(6,097)** | (9,058) |
| Cash generated from operating activities | | **38,424** | 29,056 |
| Income tax paid | | **(14,222)** | (7,209) |
| Net cash from operating activities | | **24,202** | 21,847 |
| **Cash flows from financing activities:** | | | |
| Cash dividends paid to common shareholders | | **(15,724)** | (13,475) |
| Interest paid | | **(654)** | (342) |
| Repayment of long-term debt and loans | | **—** | (2,340) |
| Proceeds from bank credit facility | | **5,300** | — |
| Repayment of lease liabilities | **11** | **(2,883)** | — |
| Changes in non-cash working capital items from financing activities | **18** | **701** | 704 |
| Net cash used in financing activities | | **(13,260)** | (15,453) |
| **Cash flows from investing activities:** | | | |
| Acquisitions net of cash acquired | | **—** | (8,262) |
| Purchase of property, plant and equipment | | **(15,868)** | (11,796) |
| Proceeds on sale of property, plant and equipment | | **1,372** | 1,790 |
| Net investment in finance leases | | **144** | — |
| Interest received | | **428** | 724 |
| Other assets | | **41** | (171) |
| Changes in non-cash working capital items from investing activities | **18** | **1,758** | 489 |
| Net cash used in investing activities | | **(12,125)** | (17,226) |
| Change in cash and cash equivalents | | **(1,183)** | (10,832) |
| Cash and cash equivalents at January 1 | | **3,916** | 134,533 |
| Effect of exchange rate fluctuations on cash held | | **(194)** | 255 |
| Cash and cash equivalents at March 31 | | **$ 2,539** | $ 123,956 |

*The notes which begin on page 48 are an integral part of these condensed interim 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 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 business of Mullen Group is a diversified transportation and oilfield service organization with its activities divided into two distinct operating segments, namely Trucking/Logistics and Oilfield Services. These unaudited condensed interim consolidated financial statements ("**Interim Financial Statements**") include the accounts of the Corporation, its subsidiaries and its limited partnerships.

**2. Basis of Presentation**

(a) Statement of Compliance

These Interim 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**"). These Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements.

(b) Basis of Measurement

These Interim 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.

(c) Functional and Presentation Currency

These Interim 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.

**3. Significant Accounting Policies**

(a) Significant Accounting Policies

Except as indicated below, the accompanying Interim Financial Statements should be read in conjunction with Note 3 to Mullen Group's audited annual consolidated financial statements for the year ended December 31, 2018, (the "**Annual Financial Statements**") as the accounting policies applied by the Corporation in these Interim Financial Statements are the same as those disclosed therein.

(b) Change in Accounting Policies

*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).

Under IFRS 16 – Leases, the Corporation has recognized lease liabilities in relation to leases which were previously classified as "operating leases" under the principles of IAS 17 – Leases. 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. 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. The finance cost is expensed within the condensed consolidated statement of comprehensive income over the lease term. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

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 new standard:

(i) Leases with a remaining lease term of less than twelve months as at January 1, 2019 as short-term leases;

(ii) Leases of low dollar value will continue to be expensed as incurred; and

(iii) The Corporation will not apply any grandfathering practical expedients.

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.

(Tabular amounts in thousands, except share and per share amounts)

**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.

**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.

**Impact of Adoption:**

Lease payments on short-term leases with lease terms of less than twelve months or low value leases are accounted for as expenses within the condensed consolidated statement of comprehensive income.

Assets and liabilities arising from a lease are initially measured on a present value basis. The value of lease liabilities includes the net present value of fixed payments, the value of any options to extend a lease where the Corporation is reasonably certain to do so, payments of penalties for terminating a lease, less any lease incentives received. The Corporation uses the cost model whereby right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability adjusted for any lease payments made before the commencement date, any initial direct costs and restoration costs. The cost of the right-of-use assets is adjusted for any remeasurement of the lease liability and is less any accumulated depreciation and accumulated impairment losses, if any.

The impact of adopting IFRS 16 – Leases as at January 1, 2019, is as follows:

| **Condensed Consolidated Statement of Financial Position Adjustments** | **As reported at December 31, 2018** | **Effect of adopting IFRS 16 – Leases** | **Restated balance at January 1, 2019** |
|---|---|---|---|
| Assets | | | |
| Current Assets: | | | |
| Trade and other receivables[1] | $ 218,089 | $ 1,000 | $ 219,089 |
| | 218,089 | 1,000 | 219,089 |
| Non-current Assets: | | | |
| Right-of-use assets[1], [2], [3] | — | 38,176 | 38,176 |
| Other assets[1] | 4,830 | 2,088 | 6,918 |
| | 4,830 | 40,264 | 45,094 |
| Total Assets | 222,919 | 41,264 | 264,183 |
| | | | |
| Liabilities and Equity | | | |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities[3] | 99,276 | (914) | 98,362 |
| Lease liabilities – current portion[2] | — | 10,283 | 10,283 |
| | 99,276 | 9,369 | 108,645 |
| Non-current liabilities: | | | |
| Lease liabilities[2] | — | 31,895 | 31,895 |
| | — | 31,895 | 31,895 |
| Total Liabilities | $ 99,276 | $ 41,264 | $ 140,540 |

*[1] This adjustment is to record $3.1 million of net investment in finance leases, which mainly related to subleases on real property with an offsetting amount recorded against right-of-use assets.*

*[2] This adjustment is to record $42.2 million of the initial lease liabilities with a corresponding amount recorded in right-of-use assets.*

*[3] This adjustment is to reclassify $0.9 million of lease inducements on real property leases that were previously recognized within accounts payable and accrued liabilities.*

(Tabular amounts in thousands, except share and per share amounts)

*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.

## 4. Determination of Fair Values

The following table compares the fair value of certain financial assets and financial liabilities to its corresponding carrying amount as presented in the condensed consolidated statement of financial position.

| **March 31, 2019**<br>**Financial Instrument** | **Fair Value**<br>**Hierarchy** | | **Carrying**<br>**Amount** | | **Fair**<br>**Value** |
|---|---|---|---|---|---|
| Investments (excluding investments accounted for by using the equity method) | Level 1 | $ | 2,924 | $ | 2,924 |
| Derivative Financial Instruments | Level 2 | $ | 36,943 | $ | 36,943 |
| Private Placement Debt | Level 2 | $ | 475,842 | $ | 389,798 |

## 5. Trade and Other Receivables

| | | **March 31**<br>**2019** | | **December 31**<br>**2018** |
|---|---|---|---|---|
| Trade receivables | **$** | **183,122** | $ | 190,150 |
| Other receivables | | **32,405** | | 27,289 |
| Net investment in finance leases | | **1,131**[(1)] | | — |
| Contract assets | | **1,175** | | 650 |
| | **$** | **217,833** | $ | 218,089 |

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

(Tabular amounts in thousands, except share and per share amounts)

## 6. Right-of-Use Assets

| | Real Property | Operating Equipment | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2019[1] | $ 39,462 | $ 2,716 | $ 42,178 |
| Additions | — | 1,469 | 1,469 |
| Subleases[2] | (3,088) | (20) | (3,108) |
| Disposals[3] | (919) | — | (919) |
| Balance at March 31, 2019 | 35,455 | 4,165 | 39,620 |
| Accumulated Depreciation | | | |
| Balance at January 1, 2019 | — | — | — |
| Depreciation expense | 2,284 | 506 | 2,790 |
| Disposals | (6) | — | (6) |
| Balance at March 31, 2019 | 2,278 | 506 | 2,784 |
| **Net book value at March 31, 2019** | **$ 33,177** | **$ 3,659** | **$ 36,836** |

*(1) Includes $42.2 million of the initial lease liabilities with a corresponding amount recorded in right-of-use assets.*

*(2) Includes $3.1 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.*

## 7. 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.

For the three month period ended March 31, 2019, Mullen Group has recorded a net foreign exchange (gain) loss of $(1.1) million (2018 – $6.2 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** | **Three month periods ended March 31** | |
|---|---|---|
| | **CDN. $ Equivalent** | |
| | **2019** | **2018** |
| Foreign exchange (gain) loss on U.S. $ debt | **$ (6,389)** | $ 7,992 |
| Foreign exchange loss (gain) on Cross-Currency Swaps | **5,268** | (1,830) |
| Net foreign exchange (gain) loss | **$ (1,121)** | $ 6,162 |

For the three month period ended March 31, 2019, Mullen Group recorded a foreign exchange (gain) loss on U.S. dollar debt of $(6.4) million (2018 - $8.0 million) as summarized in the table below:

| **Foreign Exchange (Gain) Loss on U.S. $ Debt** | **Three month periods ended March 31** | | | | | |
|---|---|---|---|---|---|---|
| | **2019** | | | **2018** | | |
| ***($ thousands, except exchange rate amounts)*** | **U.S. $ Debt** | **Exchange Rate** | **CDN. $ Equivalent** | **U.S. $ Debt** | **Exchange Rate** | **CDN. $ Equivalent** |
| Ending – March 31 | **229,000** | **1.3363** | **306,013** | 229,000 | 1.2894 | 295,273 |
| Beginning – January 1 | **229,000** | **1.3642** | **312,402** | 229,000 | 1.2545 | 287,281 |
| Foreign exchange (gain) loss on U.S. $ debt | | | **(6,389)** | | | 7,992 |

(Tabular amounts in thousands, except share and per share amounts)

For the three month period ended March 31, 2019, Mullen Group recorded a foreign exchange loss (gain) on its Cross-Currency Swaps of $5.3 million (2018 – $(1.8) 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 | Three month periods ended March 31 | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | 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** | **2,699** | 117,000 | (1,156) |
| Cross-Currency Swap maturing October 22, 2026 | **112,000** | **2,569** | 112,000 | (674) |
| Foreign exchange loss (gain) on Cross-Currency Swaps | | **5,268** | | (1,830) |

## 8. Other Assets

| | March 31 2019 | December 31 2018 |
|---|---|---|
| Debentures – equity investee | **$ 3,200** | $ 3,200 |
| Promissory notes | **1,016** | 1,037 |
| Net investment in finance leases | **2,202**(1) | — |
| Other | **433** | 593 |
| | **$ 6,851** | $ 4,830 |

*(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.*

## 9. Dividends Payable

For the three month period ended March 31, 2019, Mullen Group declared monthly dividends of $0.05 per Common Share totalling $0.15 per Common Share (2018 – $0.15 per Common Share). On February 6, 2019, Mullen Group announced its intention to continue paying annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2019. At March 31, 2019, Mullen Group had 104,824,973 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2018 – $5.2 million), which was paid on April 15, 2019. Mullen Group also declared a dividend of $0.05 per Common Share on April 22, 2019, to the holders of record at the close of business on April 30, 2019.

## 10. Income Taxes

The following table provides a reconciliation of the effective tax rates based on the applicable tax rates in various provincial jurisdictions during the period.

| | Three month periods ended March 31 | |
|---|---|---|
| | 2019 | 2018 |
| Income before income taxes | **$ 15,634** | $ 4,998 |
| Combined statutory tax rate | **27%** | 27% |
| Expected income tax | **4,221** | 1,349 |
| Add (deduct): | | |
| Non-deductible (taxable) portion of net foreign exchange (gain) loss | **(151)** | 832 |
| Non-deductible (taxable) portion of the change in fair value of investments | **(16)** | 205 |
| Stock-based compensation expense | **96** | 137 |
| Changes in unrecognized deferred tax asset | **(151)** | 832 |
| Other | **60** | 162 |
| Income tax expense | **$ 4,059** | $ 3,517 |

(Tabular amounts in thousands, except share and per share amounts)

## 11. Lease Liabilities

| | | Three month period ended March 31, 2019 |
|---|---|---|
| Beginning – January 1, 2019 | $ | **42,178** |
| Additions | | **1,469** |
| Lease payments | | **(3,225)** |
| Interest expense | | **342** |
| Ending balance – March 31, 2019 | | **40,764** |
| Less: | | |
| Lease liabilities – current portion | | **9,358** |
| Lease liabilities | $ | **31,406** |

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:

| | | March 31, 2019 |
|---|---|---|
| Twelve months or less | $ | **11,218** |
| 2020 – 2021 | | **13,655** |
| 2022 – 2023 | | **7,994** |
| Thereafter | | **9,585** |
| Contractual cash flows | $ | **42,452** |
| Carrying amount | $ | **40,764** |

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 recognised 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 recognised 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 three month period ended March 31, 2019, Mullen Group incurred variable lease payments, short-term and low dollar value lease expense of $1.0 million, $1.5 million and $0.02 million, respectively. The Corporation also recognized $0.01 million of sublease income during the period.

## 12. 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 (the "**Bank Credit Facility**"). 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 March 31, 2019, there was $35.3 million 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 $4.1 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 unsecured debt (collectively, the "**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.*

(Tabular amounts in thousands, except share and per share amounts)

Mullen Group's unamortized debt issuance costs of $1.2 million related to its Private Placement Debt have been netted against its carrying value at March 31, 2019 (December 31, 2018 – $1.2 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 including 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 condensed consolidated statement of financial position. 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 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.

The following table summarizes the Corporation's total debt:

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| Current liabilities: | | |
| Private Placement Debt | **$ —** | $ — |
| Lease liabilities – current portion | **9,358** | — |
| Bank Credit Facility | **35,300** | 30,000 |
| | **44,658** | 30,000 |
| Non-current liabilities: | | |
| Private Placement Debt | **475,842** | 482,185 |
| Lease liabilities | **31,406** | — |
| | **507,248** | 482,185 |
| | **$ 551,906** | $ 512,185 |

The details of total debt, as at the date hereof, are as follows:

| | | | March 31, 2019 | | December 31, 2018 | |
|---|---|---|---|---|---|---|
| | Year of Maturity | Nominal Interest Rate | Face Value | Carrying Amount | Face Value | Carrying Amount |
| | | | **$** | **$** | $ | $ |
| Bank Credit Facility | — | Variable | **35,300** | **35,300** | 30,000 | 30,000 |
| Lease liabilities | 2019 - 2028 | 3.20% | **42,452** | **40,764** | — | — |
| Private Placement Debt | 2024 - 2026 | 3.84% - 4.07% | **477,013** | **475,842** | 483,402 | 482,185 |
| | | | **554,765** | **551,906** | 513,402 | 512,185 |

## 13. 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 | |
|---|---|---|
| | 2019 | 2018 |
| Issued Common Shares at March 31 | **104,824,973** | 103,654,316 |

(Tabular amounts in thousands, except share and per share amounts)

## 14. Earnings per Share

(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 three month period ended March 31, 2019, was $11.6 million (2018 – $1.5 million). The weighted average number of Common Shares outstanding for the three month periods ended March 31, 2019 and 2018 was calculated as follows:

| | | Three month periods ended March 31 | |
|---|---|---|---|
| | Note | 2019 | 2018 |
| Issued Common Shares at beginning of period | 13 | **104,824,973** | 103,654,316 |
| Effect of stock options exercised | | **—** | — |
| Weighted average number of Common Shares at end of period – basic | | **104,824,973** | 103,654,316 |

(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:

| | Three month periods ended March 31 | | | |
|---|---|---|---|---|
| | | 2019 | | 2018 |
| Net income | **$** | **11,575** | $ | 1,481 |
| Effect on finance costs from conversion of Debentures (net of tax) | | **—** | | — |
| Net income – adjusted | **$** | **11,575** | $ | 1,481 |

The diluted weighted average number of Common Shares was calculated as follows:

| | Three month periods ended March 31 | | | |
|---|---|---|---|---|
| | | 2019 | | 2018 |
| Weighted average number of Common Shares – basic | **$** | **104,824,973** | $ | 103,654,316 |
| Effect of "in the money" stock options | | **—** | | — |
| Effect of conversion of Debentures | | **—** | | — |
| Weighted average number of Common Shares at end of period – diluted | **$** | **104,824,973** | $ | 103,654,316 |

For the three month period ended March 31, 2019, 3,422,500 stock options (2018 – 3,487,500) 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 March 31, 2019 and 2018. For the three month period ended March 31, 2018, the Common Shares that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**") were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive.

## 15. Seasonality of Operations

Revenue and profitability within the Trucking/Logistics segment are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower in the first quarter following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within this segment in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions.

A significant portion of the operations within the Oilfield Services segment relates to the moving of heavy equipment, drilling rigs and drilling supplies such as oilfield fluids, tubulars and drilling mud and providing services such as conductor pipe-setting, core drilling and case setting, in northern and western Canada. Earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity usually peaks in the winter months and declines during the spring when wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other 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 unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services provided by Mullen Group. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

(Tabular amounts in thousands, except share and per share amounts)

## 16. Revenue

Disaggregation of revenue:

The following tables detail our revenue by type of service and timing of the transfer of goods or services by segment:

| Three month period ended March 31, 2019 | Trucking/ Logistics | Oilfield Services | Corporate | Intersegment eliminations | Total |
|---|---|---|---|---|---|
| Revenue by service line | | | | | |
| Transportation | **$ 158,427** | **$ 61,884** | **$ —** | **$ —** | **$ 220,311** |
| Logistics | **33,988** | **1,695** | **—** | **—** | **35,683** |
| Other[(1)] | **25,133** | **42,311** | **650** | **—** | **68,094** |
| Eliminations | **(2,333)** | **(874)** | **—** | **(1,319)** | **(4,526)** |
| | **$ 215,215** | **$ 105,016** | **$ 650** | **$ (1,319)** | **$ 319,562** |
| Timing of revenue recognition | | | | | |
| Over time | **$ 164,167** | **$ 72,495** | **$ 638** | **$ —** | **$ 237,300** |
| Point in time | **53,381** | **33,395** | **12** | **—** | **86,788** |
| Eliminations | **(2,333)** | **(874)** | **—** | **(1,319)** | **(4,526)** |
| | **$ 215,215** | **$ 105,016** | **$ 650** | **$ (1,319)** | **$ 319,562** |

*(1) Included within other revenue is $8.5 million of rental revenue being recognized in accordance with IAS 17 - Leases with $6.7 million, $1.2 million and $0.6 million recorded in the Oilfield Services segment, the Trucking/Logistics segment and Corporate, respectively.*

| Three month period ended March 31, 2018 | Trucking/ Logistics | Oilfield Services | Corporate | Intersegment eliminations | Total |
|---|---|---|---|---|---|
| Revenue by service line | | | | | |
| Transportation | $ 155,533 | $ 55,772 | $ — | $ — | $ 211,305 |
| Logistics | 32,210 | 1,828 | — | — | 34,038 |
| Other[(1)] | 22,559 | 27,391 | 1,548 | — | 51,498 |
| Eliminations | (2,804) | (402) | — | (1,504) | (4,710) |
| | $ 207,498 | $ 84,589 | $ 1,548 | $ (1,504) | $ 292,131 |
| Timing of revenue recognition | | | | | |
| Over time | $ 159,824 | $ 63,489 | $ 1,436 | $ — | $ 224,749 |
| Point in time | 50,478 | 21,502 | 112 | — | 72,092 |
| Eliminations | (2,804) | (402) | — | (1,504) | (4,710) |
| | $ 207,498 | $ 84,589 | $ 1,548 | $ (1,504) | $ 292,131 |

*(1) Included within other revenue is $8.3 million of rental revenue being recognized in accordance with IAS 17 - Leases with $5.9 million, $1.4 million and $1.0 million recorded in the Oilfield Services segment, Corporate and the Trucking/Logistics segment, respectively.*

## 17. Other (Income) Expense

| | Three month periods ended March 31 | |
|---|---|---|
| | **2019** | **2018** |
| Change in fair value of investments | **$ (121)** | $ 1,515 |
| Loss on sale of property, plant and equipment | **628** | 296 |
| Earnings from equity investments | **(552)** | (411) |
| Accretion on asset retirement obligations | **4** | 3 |
| Other (income) expense | **$ (41)** | $ 1,403 |

## 18. Changes in non-cash working capital items

| | Three month periods ended March 31 | |
|---|---|---|
| | **2019** | **2018** |
| Trade and other receivables | **$ 1,302** | $ (7,925) |
| Inventory | **(3)** | 29 |
| Prepaid expenses | **(3,526)** | 5 |
| Accounts payable and accrued liabilities | **(1,411)** | 26 |
| | **$ (3,638)** | $ (7,865) |

(Tabular amounts in thousands, except share and per share amounts)

| | Three month periods ended March 31 | |
|---|---|---|
| | **2019** | **2018** |
| Changes in non-cash working capital items from: | | |
| Operating activities | **$ (6,097)** | $ (9,058) |
| Financing activities | **701** | 704 |
| Investing activities | **1,758** | 489 |
| | **$ (3,638)** | $ (7,865) |

## 19. Operating Segments

Mullen Group has two operating segments. These two 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 Trucking/Logistics segment provides both long haul and local transportation services to customers in various industries predominantly within Canada. The Oilfield Services segment primarily provides specialized transportation, fluid hauling, waste disposal, warehousing, drilling, well-servicing and dewatering services to the oil and natural gas industry in western Canada, which includes exploration and development companies and production and natural gas transmission companies. The following tables provide financial results by segment:

| | | | | Intersegment eliminations | | |
|---|---|---|---|---|---|---|
| **Three month period ended March 31, 2019** | **Trucking/ Logistics** | **Oilfield Services** | **Corporate** | **Trucking/ Logistics** | **Oilfield Services** | **Total** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Revenue | **215,215** | **105,016** | **650** | **(897)** | **(422)** | **319,562** |
| Income before income taxes | **12,904** | **1,199** | **1,531** | **—** | **—** | **15,634** |
| Depreciation of property, plant and equipment | **6,172** | **9,687** | **1,516** | **—** | **—** | **17,375** |
| Amortization of intangible assets | **3,400** | **1,026** | **—** | **—** | **—** | **4,426** |
| Capital expenditures[(1)] | **8,852** | **7,602** | **1,575** | **(86)** | **(2,075)** | **15,868** |
| Total assets at March 31, 2019 | **615,693** | **495,808** | **564,760** | **—** | **—** | **1,676,261** |

*[(1)] Excludes business acquisitions*

| | | | | Intersegment eliminations | | |
|---|---|---|---|---|---|---|
| **Three month period ended March 31, 2018** | **Trucking/ Logistics** | **Oilfield Services** | **Corporate** | **Trucking/ Logistics** | **Oilfield Services** | **Total** |
| | $ | $ | $ | $ | $ | $ |
| Revenue | 207,498 | 84,589 | 1,548 | (1,132) | (372) | 292,131 |
| Income (loss) before income taxes | 12,959 | (551) | (7,410) | — | — | 4,998 |
| Depreciation of property, plant and equipment | 5,271 | 9,563 | 1,543 | — | — | 16,377 |
| Amortization of intangible assets | 2,801 | 710 | — | — | — | 3,511 |
| Capital expenditures[(1)] | 8,598 | 4,460 | 44 | (39) | (1,267) | 11,796 |
| Total assets at December 31, 2018 | 573,859 | 501,857 | 570,136 | — | — | 1,645,852 |

*[(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.

# CORPORATE INFORMATION

## DIRECTORS | OFFICERS

**Murray K. Mullen**
Chairman of the Board, Chief Executive Officer,
President and Director

**Greg Bay, CFA**
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

**Sonia Tibbatts, MBA**
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

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## 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

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Internet: www.investorcentre.com
Shareholder Inquiries:
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