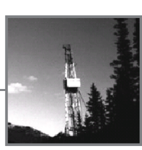
Mullen Group Ltd.

INTERIM REPORT
QUARTER TWO

FOR THE PERIOD ENDED
- JUNE 30, 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 PeBen Oilfield RE Line Courtesy Freight Systems E-Can Oilfield
OK Drilling Services Tenold
Payne Transportation Kleysen
INTEGRITY **TRUST**



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated July 24, 2019, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three and six month periods ended June 30, 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 and six month periods ended June 30, 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 July 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 55 of this MD&A.*

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

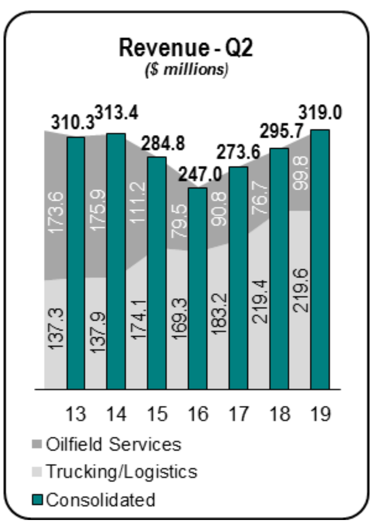
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

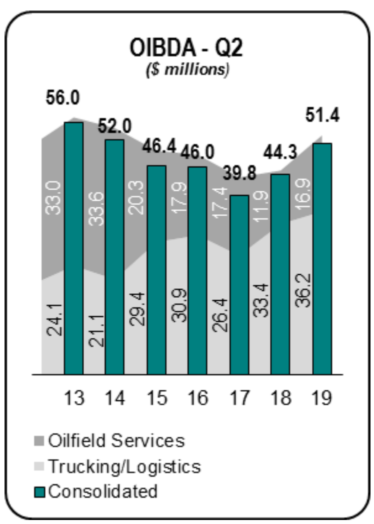
HIGHLIGHTS FOR THE QUARTER

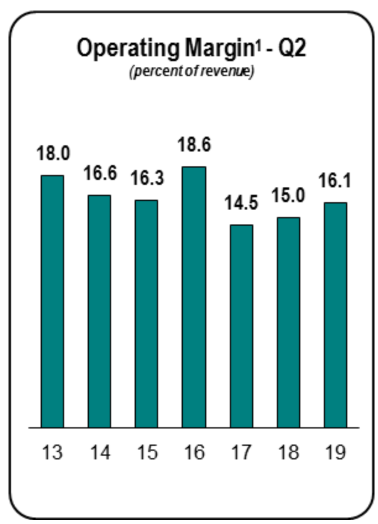
PERFORMANCE: *(unaudited) ($ millions, except share price and per share amounts)*	Three month periods ended June 30					Six month periods ended June 30				
		2019		2018	% Change		2019		2018	% Change
Financial Results										
Revenue	**$**	**319.0**	$	295.7	7.9	**$**	**638.6**	$	587.8	8.6
Operating income before depreciation and amortization[(1)]		**51.4**		44.3	16.0		**95.4**		82.2	16.1
Net foreign exchange (gain) loss		**(6.8)**		1.9	(457.9)		**(7.9)**		8.1	(197.5)
Decrease (increase) in fair value of investments		**0.1**		(0.4)	(125.0)		**—**		1.1	(100.0)
Net income		**31.7**		13.9	128.1		**43.3**		15.4	181.2
Net income – adjusted[(2)]		**15.5**		15.3	1.3		**26.1**		24.6	6.1
Net cash from operating activities		**45.7**		35.9	27.3		**69.9**		57.7	21.1
Cash dividends declared		**15.7**		15.6	0.6		**31.4**		31.1	1.0
Financial Position										
Cash and cash equivalents	**$**	**84.8**	$	22.7	273.6	**$**	**84.8**	$	22.7	273.6
Long-term debt (includes the current portion thereof and the debt component of Debentures)		**618.4**		473.3	30.7		**618.4**		473.3	30.7
Total assets		**1,758.2**		1,684.3	4.4		**1,758.2**		1,684.3	4.4
Share Information										
Cash dividends declared per Common Share	**$**	**0.15**	$	0.15	—	**$**	**0.30**	$	0.30	—
Earnings per share – basic and diluted	**$**	**0.30**	$	0.13	130.8	**$**	**0.41**	$	0.15	173.3
Earnings per share – adjusted[(2)]	**$**	**0.15**	$	0.15	—	**$**	**0.25**	$	0.24	4.2
Share price – June 30	**$**	**9.50**	$	15.49	(38.7)	**$**	**9.50**	$	15.49	(38.7)
Other Information										
Net capital expenditures[(2)]	**$**	**16.3**	$	13.2	23.5	**$**	**30.8**	$	23.2	32.8
Acquisitions	**$**	**1.5**	$	27.9	(94.6)	**$**	**1.5**	$	36.2	(95.9)

(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 and $6.2 million ($5.0 million in the Trucking/Logistics segment and $1.2 million in the Oilfield Services segment) for the six month period ended June 30, 2019, 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".*







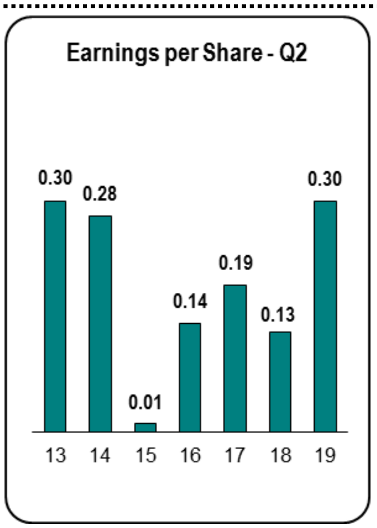
1 Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

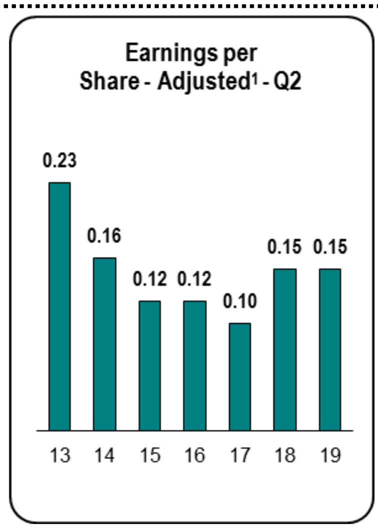
POSITION:

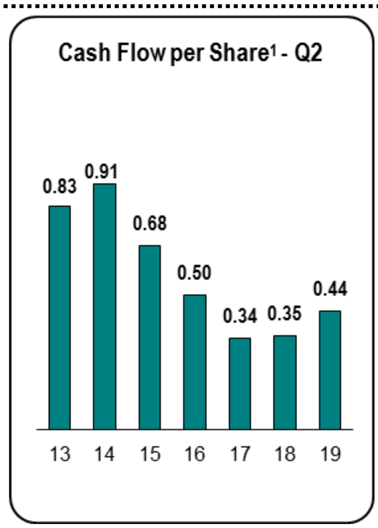
- Strengthened the balance sheet and added liquidity:
  - Issued an aggregate principal amount of $125.0 million of convertible unsecured subordinated debentures at 5.75 percent per annum maturing November 2026
  - Increased our Bank Credit Facility to $150.0 million
  - Working capital: $248.2 million (includes $84.8 million of cash and cash equivalents)
  - Net debt[1] of $361.5 million, which represents a debt to OIBDA ratio of 1.79:1
- Private Placement Debt of $469.6 million
- Net book value of property, plant and equipment of $959.7 million, which includes $555.8 million of carrying costs of owned real property

SECOND QUARTER PROGRESS:

- Revenue growth of 7.9 percent on a year over year basis:
  - Trucking/Logistics segment increased by 0.1 percent to $219.6 million
  - Oilfield Services segment increased by 30.1 percent to $99.8 million
- OIBDA improved by 9.0 percent from the prior year (excluding the effect of IFRS 16 – Leases):
  - Trucking/Logistics segment increased by 8.4 percent to $36.2 million
  - Oilfield Services segment increased by 42.0 percent to $16.9 million
- Net income increased by $17.8 million to $31.7 million while net income – adjusted[1] increased by 1.3 percent to $15.5 million
- Announced two acquisitions on July 2, 2019, which have generated approximately $25.0 million of annualized revenue, expanding our regional trucking and logistics network in British Columbia







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

EXECUTIVE SUMMARY

Our team continues to find new and creative ways to find operational efficiencies. They have developed a plan to reduce or eliminate redundancies and streamline processes, objectives that can only be achieved through innovation, technology and working alongside customers. From our perspective this is particularly encouraging given the state of the two sectors of the economy we serve, which we describe as extremely competitive. The reality is that there are times when markets simply do not grow. But we do not sit by idly and wait for better days. We adjust our priorities, focus on costs, find those elusive productivity improvements and search for strategic acquisitions to generate growth.

The Trucking/Logistics segment had another strong quarter despite the headwinds associated with the slow growth Canadian economy along with a quarter of very soft demand for truckload services. From our vantage point it appears that consumer spending remains strong, which drives our less-than-truckload ("**LTL**") and final mile delivery business. In contrast capital investment, in areas such as infrastructure and major projects, remains hampered by regulatory delays and a lack of investor conviction. This directly impacts our truckload and specialized business. In western Canada the oil and natural gas industry continues to struggle with a combination of low commodity pricing and a lack of access to new markets. This situation is clearly forcing nearly every producer to curtail capital investment including drilling programs. It is under this scenario that only a well thought-out acquisition strategy can minimize the negative impacts of the industry slowdown. This is precisely what we did last year and why our Oilfield Services segment results improved year over year. All in all a very good quarter for our organization.

For the balance of the year all indicators point to a continuation of the current trends although recent announcements regarding Canadian LNG project sanctioning are clearly positive. In addition, with the recent successful closing of the convertible unsecured subordinated debentures we have the capital and ample liquidity to pursue acquisitions.

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 June 30, 2019, are as follows:

- generated consolidated revenue of $319.0 million, an increase of $23.3 million, or 7.9 percent, as compared to $295.7 million in 2018 due to:

  - acquisitions which accounted for $28.4 million of incremental revenue, consisting of $2.6 million in the Trucking/Logistics segment and $25.8 million in the Oilfield Services segment

  - a decline in revenue resulting from a reduction in freight volumes in the Trucking/Logistics segment and a significant decline in drilling activity in the Oilfield Services segment being somewhat offset by greater demand for pipeline hauling and stringing services

- earned consolidated OIBDA of $51.4 million, an increase of $7.1 million as compared to $44.3 million in 2018 due to:

  - an increase of $2.8 million or 8.4 percent in the Trucking/Logistics segment

  - an increase of $5.0 million or 42.0 percent in the Oilfield Services segment

  - a $0.7 million increase in Corporate Office (as hereafter defined on page 7) costs, which was mainly due to a $0.3 million negative variance in foreign exchange and higher salaries

<u>Second Quarter Financial Results</u>

Revenue increased by $23.3 million, or 7.9 percent, to $319.0 million and is summarized as follows:

- Trucking/Logistics segment grew by $0.2 million, or 0.1 percent, to $219.6 million – incremental revenue from acquisitions was $2.6 million while fuel surcharge revenue declined by $0.2 million. Revenue from LTL improved by $0.4 million due to slight revenue gains at Gardewine Group Limited Partnership ("**Gardewine**"). Revenue from truckload services increased by $0.2 million due to the $2.6 million of incremental revenue generated by acquisitions being offset by a reduction in demand for truckload services.

- Oilfield Services segment increased by $23.1 million, or 30.1 percent – growth resulted from $25.8 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 12.7 percent decline in drilling activity, resulting in revenue declines by those Business Units (as hereafter defined on page 7) providing drilling related services.

OIBDA increased by $7.1 million, or 16.0 percent, to $51.4 million and is summarized as follows:

- Trucking/Logistics segment grew by $2.8 million, or 8.4 percent, to $36.2 million – the adoption of IFRS 16 – Leases accounted for $2.5 million of this increase while acquisitions accounted for $0.3 million of incremental growth. As a percentage of revenue, operating margin[1] increased to 16.5 percent due to the adoption of IFRS 16 – Leases. Our operating margin[1] without the impact of IFRS 16 – Leases was 15.3 percent, a slight increase as compared to 2018.

- Oilfield Services segment up by $5.0 million, or 42.0 percent, to $16.9 million – transportation of fluids and servicing of wells Business Units increased by $5.1 million led by the acquisition of the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") while specialized services Business Units improved by $1.0 million due to greater demand for large diameter pipeline hauling and stringing services. These increases were partially offset by those Business Units tied to drilling related activity. Operating margin[1] increased to 16.9 percent from 15.5 percent in 2018 due to enhanced profitability resulting from the synergies and integration efforts on the AECOM ISD acquisition and from higher margins generated by those Business Units providing specialized services.

Net income increased by $17.8 million to $31.7 million, or $0.30 per Common Share due to:

- A $9.4 million decrease in income tax expense, an $8.7 million positive variance in net foreign exchange and a $7.1 million increase in OIBDA.

- The above was partially offset by a $2.8 million increase in depreciation of right-of-use assets, a $1.9 million increase in loss on sale of property, plant and equipment, a $0.8 million increase in depreciation of property, plant and equipment and a $0.8 million increase in amortization of intangible assets.

<u>Financial Position</u>

The following summarizes our financial position as at June 30, 2019, along with some of the key changes that occurred during the second quarter of 2019:

- Increased the amount available on our Bank Credit Facility (as hereafter defined on page 12) to $150.0 million (no amounts were drawn as at June 30, 2019).

- Exited the second quarter with working capital of $248.2 million, which included $84.8 million of cash and cash equivalents by virtue of raising $125.0 million of convertible unsecured subordinated debentures (net proceeds of $119.8 million).

- Total net debt[1] ($477.5 million) to operating cash flow ($205.2 million) (as hereafter defined on page 47) of 2.33:1 as defined per our Private Placement Debt (as hereafter defined on page 17) agreement.

- Total net debt[1] decreased by $41.6 million to $477.5 million (March 31, 2019 – $519.1 million) due to repaying the $35.3 million outstanding on the Bank Credit Facility and from the $6.3 million foreign exchange gain on our U.S. $229.0 million debt.

- The value of our Cross-Currency Swaps (as hereafter defined on page 18) increased by $0.5 million to $37.4 million (March 31, 2019 – $36.9 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

In our Interim Report for the period ended March 31, 2019, we expressed a view that a recovery in both operating segments was possible as the year progressed given our outlook for the two sectors of the economy that Mullen Group has strong business relationships and industry leadership. Second quarter results met expectations primarily due to the continued strong performance in the Trucking/Logistics segment along with an improved performance in the Oilfield Services segment, which benefitted from the acquisition of the business and assets from AECOM ISD last year. Unfortunately business associated with the drilling segment of the oil and natural gas industry in western Canada continued to be negatively impacted by the industry downturn, for reasons that have been well-documented.

The financial results achieved in the recent quarter provide further evidence that the guidance for the full year 2019, as articulated in previous correspondence to shareholders, remains reasonable and attainable provided the Canadian economy continues to grow at a modest pace in the second half of the year accompanied by some recovery in drilling activity in western Canada, although the recovery in the oil and gas sector of the economy will most likely not be as strong as we anticipated earlier this year.

For the balance of 2019 we remain focused on managing costs. We continue to believe that integrating and streamlining our Business Units is how we can achieve this goal. We will also be active in terms of our acquisition strategy. The successful completion of the $125.0 million of convertible unsecured subordinated debentures along with an increase of $25.0 million in our Bank Credit Facility (as hereafter defined on page 12) provides Mullen Group with substantial liquidity to pursue opportunities. As always our mandate is to take a well thought-out and 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 June 30, 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) (4)	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.(5)	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 Jen Express Inc., which was acquired on May 1, 2019.
(5) Includes the business and assets contributed to Number 8 Freight Ltd., which were acquired on August 1, 2018.

At June 30, 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.

Issuance of Debentures and Capital Allocations

Convertible Debentures

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

Each $1,000 2019 Debenture is convertible into 71.4286 Common Shares of Mullen Group (such is based on a conversion price of $14.00) at any time at the option of the holders of the 2019 Debentures. Thus, an aggregate of approximately 8.9 million Common Shares of Mullen Group may be issued if all the holders convert their principal amount. The proceeds of the offering will be used for general corporate purposes, which may include future acquisitions within the Trucking/Logistics segment. As subordinated debt, the accounting value assigned to the 2019 Debentures including any related interest expense is excluded from our financial covenant calculations under our Private Placement Debt (as hereafter defined on page 17).

The 2019 Debentures shall not be redeemable by the Corporation prior to November 30, 2023. On or after November 30, 2023 and prior to November 30, 2025, the 2019 Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125.0 percent of the conversion price. On or after November 30, 2025 and prior to the maturity date, the 2019 Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest if any, up to but excluding the date set for redemption.

The 2019 Debentures are comprised of both a debt and equity component, which are presented separately on our consolidated statement of financial position. The debt component represents the total discounted present value of both the semi-annual interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. The result is an accounting value assigned to the debt component of the 2019 Debentures, which is less than the principal amount due at maturity. The debt component presented on the consolidated statement of financial position will increase over the term of the 2019 Debentures to the full face value of the outstanding 2019 Debentures at maturity. This increase will be recognized in the financial statements through a notional increase to interest expense on the 2019 Debentures and a resulting decrease to net income. In the event the 2019 Debentures are converted prior to maturity, the difference between the carrying amount of such 2019 Debentures and their face value would be charged to interest expense. The equity component of the 2019 Debentures is presented under "Equity" in the consolidated statement of financial position. The equity component represents the difference between the face value of the 2019 Debentures (namely, $125.0 million) and the accounting value assigned to the debt component of the 2019 Debentures at the date of issue (namely, $112.6 million). Subject to the impact of the 2019 Debentures being converted, this equity component amount will remain constant over the term of the 2019 Debentures. Upon conversion of the 2019 Debentures into Common Shares, a proportionate amount of both the debt and equity components are transferred to shareholders' capital. Accretion and interest expense on the 2019 Debentures are reflected as finance costs in the consolidated statement of comprehensive income.

The transaction costs associated with the 2019 Debentures were $5.2 million and are being amortized over the term of the 2019 Debentures. If the holders of the 2019 Debentures convert the principal portion to Common Shares prior to maturity, the unamortized transaction costs would be expensed and would thereby decrease earnings.

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 six month period ending June 30, 2019, we declared monthly dividends totalling $0.30 per Common Share (2018 – $0.30 per Common Share). At June 30, 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 July 15, 2019. We also declared a dividend of $0.05 per Common Share on July 22, 2019, to the holders of record at the close of business on July 31, 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 six months of 2019, gross capital expenditures on a pre-consolidated basis were $37.2 million as compared to $32.1 million in 2018, including $3.7 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 $21.5 million in the Trucking/Logistics segment (2018 – $24.7 million), $12.5 million in the Oilfield Services segment (2018 – $6.8 million) and $3.2 million in the

Corporate Office (2018 – $0.6 million). Gross dispositions on a pre-consolidated basis were $6.3 million in 2019 as compared to $8.9 million in 2018. These gross dispositions were comprised of $1.1 million in the Trucking/Logistics segment (2018 – $1.6 million), $5.2 million in the Oilfield Services segment (2018 – $7.3 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.

2019

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

Subsequent Event

Argus Carriers Ltd. and Inter-Urban Delivery Service Ltd. – On July 1, 2019, Mullen Group acquired all of the issued and outstanding shares of Argus Carriers Ltd. ("**Argus**") and Inter-Urban Delivery Service Ltd. ("**Inter-Urban**") for total cash consideration of $20.0 million, subject to a working capital adjustment. Both Argus and Inter-Urban provide transportation and logistics services in the Lower Mainland of British Columbia.

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

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

The acquisitions of Argus and Inter-Urban align with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional LTL presence centrally located to serve consumers in large urban centres. Argus and Inter-Urban will be integrated into the operations of Tenold Transportation Ltd. ("**Tenold**"), whose financial results are included in the Trucking/Logistics segment. Due to the limited time between these acquisitions and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed upon acquisition were not available to management as of the date of this report.

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 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 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, 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.

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

Bank Credit Facility Amendments

On October 24, 2018, we entered into an agreement to amend the amount available to be borrowed on the credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). The amount available to be borrowed on the Bank Credit Facility was increased by $50.0 million to $125.0 million. On June 21, 2019, the amount available to be borrowed on the Bank Credit Facility was increased by $25.0 million to $150.0 million. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, we cannot be in default of our Private Placement Debt (as hereafter defined on page 17) 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 Private Placement Debt (as hereafter defined on page 17) was 4.51 percent. The weighted average interest rate after repaying the Series D Notes is 3.99 percent.

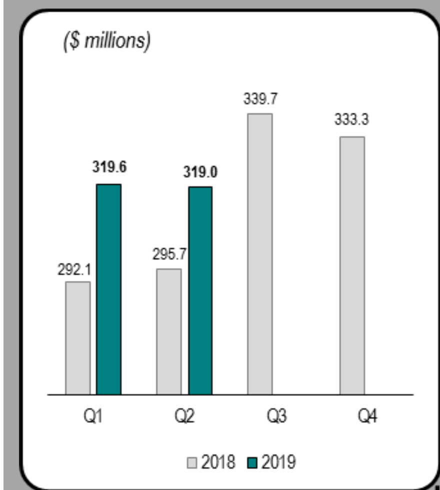
Equity Investments

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.

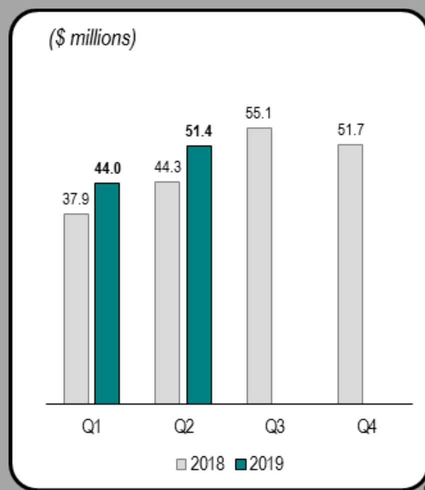
CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED JUNE 30, 2019

Summary – Trailing Six Quarters

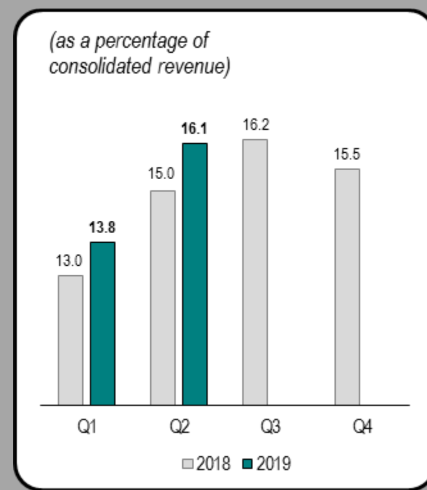
Consolidated Revenue



OIBDA



Operating Margin[1]



Second quarter results improved over 2018 primarily due to acquisitions and a recovery in large diameter pipeline hauling activity. Revenue grew by 7.9 percent and operating profitability as measured by OIBDA increased by 16.0 percent. The specific positive factors that influenced our second quarter financial performance were:

- the completion of a series of acquisitions that contributed $28.4 million of incremental revenue to the second quarter, primarily due to the AECOM ISD acquisition.
- the increased demand for large diameter pipeline construction related services that resulted in a $6.0 million rise in revenue at Premay Pipeline Hauling L.P. ("**Premay Pipeline**"); and
- a focus on streamlining and integration of acquisitions that reduced costs.

There were, however, a number of negative factors that offset an otherwise very positive quarter with the most notable being the continued lack of drilling in the Western Canadian Sedimentary Basin ("**WCSB**") along with intense competition in many parts of the Oilfield Services segment, primarily due to the lack of demand associated with low commodity prices and market accessibility for the Canadian oil and natural gas producers. More specifically, second quarter results were negatively impacted by:

- economic activity in Canada, as measured by gross domestic product ("**GDP**"), remained at the low end of projections for the quarter contributing to lower demand for general freight services and declines in spot market pricing, most notably in western Canada;
- drilling activity in western Canada was a multi-year low averaging 83 working rigs for the second quarter as compared to 106 in the same period last year. As a result revenue generated by those Business Units tied to drilling activity declined by $4.0 million; and
- fuel surcharge revenue declined by $0.2 million due to lower overall fuel pricing.

[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**").*

Q2 Consolidated Revenue by Segment *(unaudited)* *($ millions)*	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**219.6**	**68.8**	219.4	74.1	0.2	0.1
Oilfield Services	**99.8**	**31.2**	76.7	25.9	23.1	30.1
Corporate and intersegment eliminations	**(0.4)**	**—**	(0.4)	—	—	—
Total	**319.0**	**100.0**	295.7	100.0	23.3	7.9

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the second quarter increased by $23.3 million, representing a year over year gain of 7.9 percent, rising to $319.0 million as compared to $295.7 million in 2018. Acquisitions remained one of our primary focuses and accounted for $28.4 million of incremental revenue. The Trucking/Logistics segment was virtually flat and grew by $0.2 million, or 0.1 percent, of which $2.6 million was due to acquisitions. Largely due to acquisitions, our Oilfield Services segment experienced a $23.1 million increase in revenue representing a year over year increase of 30.1 percent. Fuel surcharge revenue was $23.3 million as compared to $23.5 million in 2018.

Q2 Consolidated Revenue *(unaudited)* *($ millions)*	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**223.7**	**70.1**	202.1	68.3	21.6	10.7
Contractors	**93.0**	**29.2**	91.2	30.8	1.8	2.0
Other	**2.3**	**0.7**	2.4	0.9	(0.1)	(4.2)
Total	**319.0**	**100.0**	295.7	100.0	23.3	7.9

Revenue generated by Company Equipment increased by $21.6 million, or 10.7 percent, to $223.7 million as compared to $202.1 million in 2018 and represented 70.1 percent of consolidated revenue in the current period as compared to 68.3 percent in 2018. This increase was mainly due to acquisitions. Revenue related to Contractors increased by $1.8 million, or 2.0 percent, to $93.0 million as compared to $91.2 million in 2018 and represented 29.2 percent of consolidated revenue in the current period as compared to 30.8 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.*

Q2 Consolidated Direct Operating Expenses

(unaudited) ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**59.9**	**26.8**	52.3	25.9	7.6	14.5
Fuel	**21.6**	**9.7**	21.4	10.6	0.2	0.9
Repairs and maintenance	**30.8**	**13.8**	28.6	14.2	2.2	7.7
Purchased transportation	**22.6**	**10.1**	21.4	10.6	1.2	5.6
Operating supplies	**14.4**	**6.4**	12.3	6.1	2.1	17.1
Other	**5.7**	**2.5**	6.1	2.9	(0.4)	(6.6)
	155.0	**69.3**	142.1	70.3	12.9	9.1
Contractors	**71.0**	**76.3**	68.7	75.3	2.3	3.3
Total	**226.0**	**70.8**	210.8	71.3	15.2	7.2

**as a percentage of respective Consolidated revenue*

DOE were $226.0 million in the second quarter as compared to $210.8 million in 2018. This increase of $15.2 million, or 7.2 percent, was in line with the $23.3 million, or 7.9 percent, increase in consolidated revenue.

DOE associated with Company Equipment increased to $155.0 million as compared to $142.1 million in 2018. This increase of $12.9 million, or 9.1 percent, was attributable to the $21.6 million, or 10.7 percent, increase in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 1.0 percent to 69.3 percent as compared to 70.3 percent in 2018 due to decreased fuel expenses and cost control initiatives being partially offset by higher wages and benefits expense as a result of our AECOM ISD acquisition.

Contractors expense in the second quarter increased to $71.0 million as compared to $68.7 million in 2018. This $2.3 million increase was attributable to the $1.8 million rise in Contractors revenue. As a percentage of revenue, Contractors expense increased by 1.0 percent to 76.3 percent as compared to 75.3 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.*

Q2 Consolidated Selling and Administrative Expenses

(unaudited) ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**24.7**	**7.7**	23.3	7.9	1.4	6.0
Communications, utilities and general supplies	**11.5**	**3.6**	10.8	3.7	0.7	6.5
Profit share	**3.1**	**1.0**	2.5	0.8	0.6	24.0
Foreign exchange	**0.2**	**0.1**	(0.5)	(0.2)	0.7	(140.0)
Stock-based compensation	**0.3**	**0.1**	0.4	0.1	(0.1)	(25.0)
Rent and other	**1.8**	**0.5**	4.1	1.4	(2.3)	(56.1)
Total	**41.6**	**13.0**	40.6	13.7	1.0	2.5

as a percentage of total Consolidated revenue

S&A expenses for the period increased by $1.0 million to $41.6 million as compared to $40.6 million in 2018 largely due to the $1.8 million of incremental S&A expenses associated with acquisitions, most notably wages and benefits expense and the $0.7 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, depreciation of right-of-use assets, amortization of intangible assets, finance costs, net foreign exchange gains and losses, other (income) expense and income taxes.*

Q2 Consolidated Operating Income Before Depreciation and Amortization

(unaudited) ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**36.2**	**70.4**	33.4	75.4	2.8	8.4
Oilfield Services	**16.9**	**32.9**	11.9	26.9	5.0	42.0
Corporate	**(1.7)**	**(3.3)**	(1.0)	(2.3)	(0.7)	70.0
Total	**51.4**	**100.0**	44.3	100.0	7.1	16.0

OIBDA for the period was $51.4 million, or 16.1 percent of revenue, as compared to $44.3 million, or 15.0 percent, in 2018. The $7.1 million increase represents a year over year increase of 16.0 percent and was primarily due to significantly higher OIBDA in the Oilfield Services segment and a $2.8 million rise in OIBDA in the Trucking/Logistics 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] increased by 0.1 percent to 15.1 percent as compared to 15.0 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 $17.8 million in the second quarter as compared to $17.0 million in 2018. This increase of $0.8 million was mainly attributable to a greater amount of depreciation being recorded in the Trucking/Logistics segment, while depreciation in the Oilfield Services segment decreased and the Corporate Office remained consistent on a year over year basis. Depreciation in the Trucking/Logistics segment increased by $0.8 million due to an increase in the amount of capital expenditures being made within this segment. Depreciation in the Oilfield Services segment decreased marginally and was mainly due to the lower amount of capital expenditures made within this segment being somewhat offset by the incremental depreciation being recorded on the assets acquired in the AECOM ISD and the Canadian Hydrovac acquisitions.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $2.8 million in the second quarter consisting of $2.3 million in the Trucking/Logistics segment and $0.5 million in the Oilfield Services segment. The majority of our right-of-use assets consist of real property leases within the Trucking/Logistics segment. 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. 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.

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 $4.5 million in the second quarter as compared to $3.7 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**");
  - the 2019 Debentures that were issued in June 2019;
  - lease liabilities; and
  - borrowings on the Bank Credit Facility.
- Less any interest income generated from the debentures issued to PCX and Thrive Management Group Ltd. ("**Thrive**") and from cash and cash equivalents.

Finance costs were $5.4 million in the second quarter as compared to $5.3 million in 2018. The increase of $0.1 million was mainly attributable to the $0.3 million of interest expense being recorded on lease liabilities, the interest expense on the 2019 Debentures, a reduction in interest income, a greater amount of interest expense being recorded on borrowings on the Bank Credit Facility and from our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar in the second quarter of 2019. These increases were somewhat offset by the June 29, 2018 repayment of the Series D ($70.0 million bearing interest at 5.76 percent) Notes and the repayment of the 2009 Debentures (as hereafter defined on page 21) which matured on July 1, 2018.

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 $6.8 million in the second quarter of 2019 as compared to a net foreign exchange loss of $1.9 million in 2018. The net foreign exchange gain of $6.8 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 $8.7 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net foreign exchange (gain) loss are as follows:

Net Foreign Exchange (Gain) Loss	**Three month periods ended June 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2019**	**2018**
Foreign exchange (gain) loss on U.S. $ debt	**(6.3)**	6.3
Foreign exchange (gain) loss on Cross-Currency Swaps	**(0.5)**	(4.4)
Net foreign exchange (gain) loss	**(6.8)**	1.9

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

We recorded a foreign exchange gain of $6.3 million related to our U.S. dollar debt due to the $0.0276 strengthening of the Canadian dollar relative to the U.S. dollar during the second quarter of 2019. For the same period in 2018, we recorded a foreign exchange loss of $6.3 million due to the weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange 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 June 30**					
	2019			**2018**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – June 30	**229.0**	**1.3087**	**299.7**	229.0	1.3168	301.6
Beginning – March 31	**229.0**	**1.3363**	**306.0**	229.0	1.2894	295.3
Foreign exchange (gain) loss on U.S. $ debt			**(6.3)**			6.3

Foreign Exchange (Gain) Loss 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 gain on Cross-Currency Swaps of $0.5 million in the second quarter of 2019 as compared to a $4.4 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 (Gain) Loss on Cross-Currency Swaps	**Three month periods ended June 30**			
	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**	—	117.0	(2.4)
Cross-Currency Swap maturing October 22, 2026	**112.0**	(0.5)	112.0	(2.0)
Foreign exchange (gain) loss on Cross-Currency Swaps		(0.5)		(4.4)

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 second quarter was $0.2 million, a $2.9 million negative variance as compared to the $3.1 million of other income recorded in 2018. The $2.9 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $0.5 million). We periodically invest in certain public corporations. We recorded a decrease in the fair value of investments of $0.1 million in the second quarter as compared to a $0.4 million increase in 2018. There were no investments purchased or sold in either the second quarter of 2019 or 2018.

Loss or Gain on Sale of Property, Plant and Equipment (negative variance of $1.9 million). We recognized a loss of $0.8 million on sale of property, plant and equipment on total consolidated proceeds on sale of $1.1 million in the second quarter as compared to a $1.1 million gain on sale of property, plant and equipment on total consolidated proceeds on sale of $5.7 million in 2018. The $0.8 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. The $1.1 million gain on sale of property, plant and equipment in 2018 mainly related to the sale of older equipment in the Oilfield Services segment.

Earnings from Equity Investments (negative variance of $0.5 million). We recognized $1.1 million of earnings from equity investments in the second as compared to earnings of $1.6 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 June 30	
	2019	**2018**
Income before income taxes	**$ 27.9**	$ 19.5
Combined statutory tax rate	**27%**	27%
Expected income tax	**7.5**	5.3
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(0.9)**	0.3
Non-deductible (taxable) portion of the change in fair value of investments	**—**	(0.1)
Stock-based compensation expense	**0.1**	0.2
Changes in unrecognized deferred tax asset	**(0.9)**	0.3
Decrease in income tax due to changes in income tax rates	**(9.4)**	—
Other	**(0.2)**	(0.4)
Income tax (recovery) expense	**$ (3.8)**	$ 5.6

Income tax recovery was $3.8 million in the second quarter of 2019 as compared to an expense of $5.6 million in 2018. The decrease of $9.4 million was mainly attributable to the decrease in the substantively enacted tax rate in Alberta. During the second quarter of 2019, the Government of Alberta passed Bill 3, which will reduce the Alberta provincial corporate tax rate from 12.0 percent to 8.0 percent in a phased approach between July 1, 2019 and January 1, 2022. As a result of this change, the Corporation made an adjustment to current and deferred income taxes of $0.2 million and $9.4 million, respectively, which was recorded in the second quarter of 2019. As the tax rate change came into effect on July 1, 2019, the combined federal and provincial statutory income tax rate for 2019 decreased slightly to 26.6 percent.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended June 30		
	2019	**2018**	**% Change**
Net income	**$ 31.7**	$ 13.9	128.1
Weighted average number of Common Shares outstanding	**104,824,973**	103,774,799	1.0
Earnings per share – basic	**$ 0.30**	$ 0.13	130.8

Net income increased to $31.7 million in the second quarter as compared to $13.9 million in 2018. The factors contributing to the increase in net income include:

- a $9.4 million decrease in income tax expense;
- an $8.7 million positive variance in net foreign exchange; and
- a $7.1 million increase in OIBDA.

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 $1.9 million increase in the loss on sale of property, plant and equipment;
- a $0.8 million increase in depreciation of property, plant and equipment;

- a $0.8 million increase in amortization of intangible assets;
- a $0.5 million decrease in earnings from equity investments;
- a $0.5 million negative variance in the fair value of investments; and
- a $0.1 million increase in finance costs.

Basic earnings per share increased to $0.30 in 2019 as compared to $0.13 in 2018. This increase resulted from the effect of the $17.8 million increase in net income. The weighted average number of Common Shares outstanding increased slightly from 103,774,799 to 104,824,973, which was mainly due to the conversion of some previously issued convertible debentures that were issued in 2009 (the "**2009 Debentures**") into Common Shares in 2018 and from the Common Shares issued on the Canadian Hydrovac acquisition.

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 June 30**			
		2019		**2018**
Income before income taxes	**$**	**27.9**	$	19.5
Add (deduct):				
Net foreign exchange (gain) loss		**(6.8)**		1.9
Change in fair value of investments		**0.1**		(0.4)
Income before income taxes – adjusted		**21.2**		21.0
Income tax rate		**27%**		27%
Computed expected income tax expense		**5.7**		5.7
Net income – adjusted[1]		**15.5**		15.3
Weighted average number of Common Shares outstanding – basic		**104,824,973**		103,774,799
Earnings per share – adjusted[1]	**$**	**0.15**	$	0.15

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

SEGMENTED INFORMATION – THREE MONTH PERIOD ENDED JUNE 30, 2019

Three month period ended June 30, 2019 ***(unaudited)*** ***($ millions)***	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Revenue	**219.6**	**99.8**	**(0.4)**	**319.0**
Direct operating expenses	**157.1**	**71.4**	**(2.5)**	**226.0**
Selling and administrative expenses	**26.3**	**11.5**	**3.8**(2)	**41.6**
Operating income before depreciation and amortization	**36.2**	**16.9**	**(1.7)**	**51.4**
Net capital expenditures(1)	**12.3**	**2.5**	**1.6**	**16.4**

Three month period ended June 30, 2018 ***(unaudited)*** ***($ millions)***	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$
Revenue	219.4	76.7	(0.4)	295.7
Direct operating expenses	159.3	54.0	(2.5)	210.8
Selling and administrative expenses	26.7	10.8	3.1(3)	40.6
Operating income before depreciation and amortization	33.4	11.9	(1.0)	44.3
Net capital expenditures(1)	14.9	(2.3)	0.6	13.2

(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 $0.2 million foreign exchange gain.

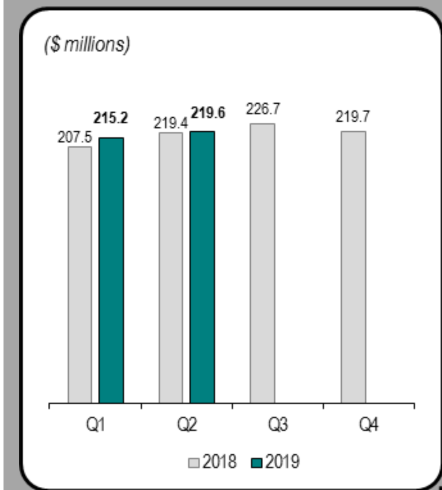
TRUCKING/LOGISTICS SEGMENT

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 June 30, 2019, the Trucking/Logistics segment was comprised of 14 Business Units that utilize both Company Equipment and Contractors.

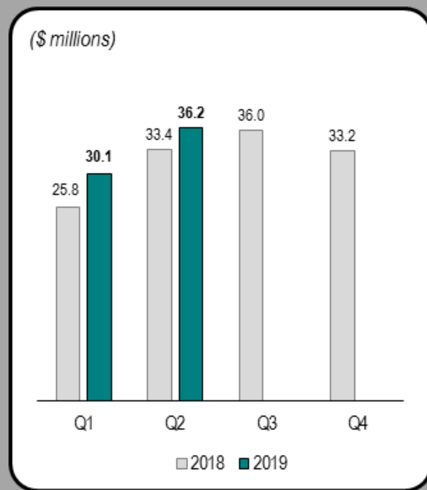
Service Offerings	*Key Drivers and Considerations*
• *Long-Haul Trucking (T/L)*	• *Tied to general economy (i.e., GDP)*
• *Less-Than-Truckload Trucking (LTL)*	• *Regional network comprised of 94 terminals*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk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

Summary – Trailing Six Quarters

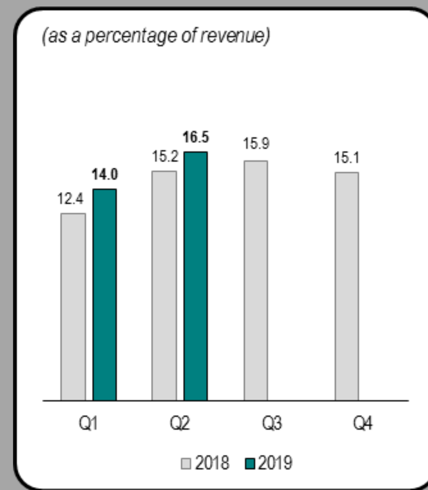
Revenue



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. Real GDP grew 0.1 percent in the first quarter, the same growth rate as the fourth quarter of 2018. The U.S. economy continues to grow and it is estimated that the U.S. economy expanded by 1.5 percent in the second quarter after growing by 3.1 percent in the first quarter.

Revenue

Q2 Revenue – Trucking/Logistics *(unaudited) ($ millions)*	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**147.3**	**67.1**	145.5	66.3	1.8	1.2
Contractors	**72.0**	**32.8**	73.6	33.5	(1.6)	(2.2)
Other	**0.3**	**0.1**	0.3	0.2	—	—
Total	**219.6**	**100.0**	219.4	100.0	0.2	0.1

Driven by acquisitions, the Trucking/Logistics segment generated $219.6 million of revenue in the second quarter, which was the highest level of second quarter segment revenue on record and represented 68.8 percent of pre-consolidated revenue as compared to 74.1 percent in 2018. Revenue was virtually flat and increased by $0.2 million, or 0.1 percent, to $219.6 million as compared to $219.4 million in 2018 due to $2.6 million of incremental revenue related to our recent acquisitions being partially offset by a $0.2 million decline in fuel surcharge revenue. Fuel surcharge revenue decreased to $22.7 million. Excluding acquisitions and the change in fuel surcharge revenue, the Trucking/Logistics segment revenue declined by a modest $2.2 million due to a reduction in freight volumes. Some of the specific factors that impacted revenue in the second quarter were the following:

- The regional LTL business improved by 0.4 percent during the quarter due to slight revenue gains at Gardewine. Our five regional LTL Business Units[2] generated revenue of $111.2 million as compared to $110.8 million in 2018.

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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 $0.2 million due to the combination of the $2.6 million of incremental revenue generated by our recent acquisitions being offset by a reduction in demand for truckload services. The nine truckload services Business Units generated $111.6 million in revenue as compared to $111.4 million in 2018.

- Fuel surcharge revenue, excluding the effect of acquisitions, declined to $22.7 million as compared to $22.9 million in 2018.

Revenue related to Company Equipment increased by $1.8 million, or 1.2 percent, to $147.3 million as compared to $145.5 million in 2018 and represented 67.1 percent of segment revenue in the current period as compared to 66.3 percent in 2018. Revenue related to Contractors decreased by $1.6 million, or 2.2 percent, to $72.0 million as compared to $73.6 million in 2018 and represented 32.8 percent of segment revenue in the current period as compared to 33.5 percent in 2018.

Direct Operating Expenses

Q2 Direct Operating Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**38.6**	**26.2**	39.1	26.9	(0.5)	(1.3)
Fuel	**15.9**	**10.8**	16.8	11.5	(0.9)	(5.4)
Repairs and maintenance	**17.8**	**12.1**	17.5	12.0	0.3	1.7
Purchased transportation	**22.2**	**15.1**	21.2	14.6	1.0	4.7
Operating supplies	**4.8**	**3.3**	5.0	3.4	(0.2)	(4.0)
Other	**4.2**	**2.8**	4.5	3.1	(0.3)	(6.7)
	103.5	**70.3**	104.1	71.5	(0.6)	(0.6)
Contractors	**53.6**	**74.4**	55.2	75.0	(1.6)	(2.9)
Total	**157.1**	**71.5**	159.3	72.6	(2.2)	(1.4)

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

Total DOE were $157.1 million in the second quarter as compared to $159.3 million in 2018. The decrease of $2.2 million, or 1.4 percent, despite the $0.2 million, or 0.1 percent, rise in segment revenue. DOE expressed as a percentage of revenue decreased by 1.1 percent to 71.5 percent as compared to 72.6 percent in 2018.

DOE related to Company Equipment decreased by $0.6 million, or 0.6 percent, to $103.5 million as compared to $104.1 million in 2018. In terms of a percentage of revenue, Company expenses decreased by 1.2 percent to 70.3 percent as compared to 71.5 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 second quarter decreased by $1.6 million to $53.6 million as compared to $55.2 million in 2018. This decrease was generally in proportion to the $1.6 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 0.6 percent to 74.4 percent as compared to 75.0 percent in 2018.

Selling and Administrative Expenses

Q2 Selling and Administrative Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2019		2018		Change	
	$	%*	$	%*	$	%
Wages and benefits	**16.4**	**7.5**	15.6	7.1	0.8	5.1
Communications, utilities and general supplies	**7.0**	**3.2**	6.8	3.1	0.2	2.9
Profit share	**2.0**	**0.9**	1.9	0.9	0.1	5.3
Foreign exchange	**0.1**	**—**	(0.3)	(0.1)	0.4	(133.3)
Rent and other	**0.8**	**0.4**	2.7	1.2	(1.9)	(70.4)
Total	**26.3**	**12.0**	26.7	12.2	(0.4)	(1.5)

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

S&A expenses were $26.3 million in the second quarter as compared to $26.7 million in 2018. The decrease of $0.4 million was primarily due to the reduction in rent expense due to the adoption of IFRS 16 – Leases. This reduction was partially offset by the $0.3 million of incremental S&A expenses associated with the acquisitions, largely wages and benefits expense, as well as the $0.4 million negative variance on foreign exchange. S&A expenses as a percentage of segment revenue declined to 12.0 percent as compared to 12.2 percent in 2018. IFRS 16 – Leases had a 1.2 percent positive impact on S&A expenses as a percentage of revenue.

Operating Income Before Depreciation and Amortization

OIBDA for the second quarter increased by $2.8 million, or 8.4 percent, to $36.2 million as compared to $33.4 million generated in 2018. This is the highest level of OIBDA achieved for any second 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 $0.3 million of incremental growth.

Operating margin[1] increased by 1.3 percent to 16.5 percent as compared to 15.2 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 15.3 percent, a slight increase as compared to 2018.

Capital Expenditures

Net capital expenditures[1] were $12.3 million in the second quarter, a decrease of $2.6 million as compared to $14.9 million in 2018. Gross capital expenditures were $12.7 million and dispositions were $0.4 million for net capital expenditures[1] of $12.3 million in 2019. Gross capital expenditures mainly consisted of the purchase of trucks and trailers and various pieces of operating equipment to both replace and support new opportunities within this segment. In addition, we transferred some trucks and trailers to the Trucking/Logistics segment from the Oilfield Services segment to improve asset utilization. In 2018 gross capital expenditures were $16.1 million and dispositions were $1.2 million for net capital expenditures[1] of $14.9 million.

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

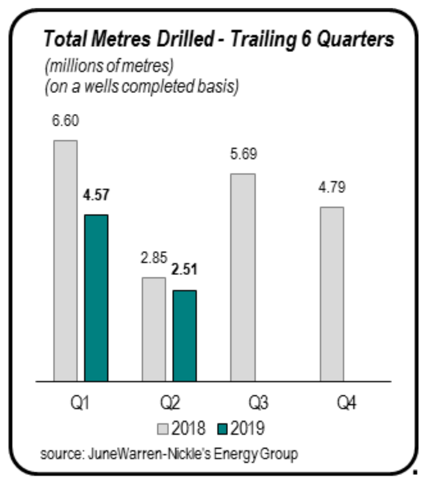
OILFIELD SERVICES SEGMENT

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 June 30, 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* – oil sands, dewatering and infrastructure	• *Drilling trends and evolving technologies* • *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 increased while the total metres drilled have decreased. 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 83 rigs during 2019 as compared to 106 active rigs in 2018, a decrease of 23 rigs or 21.7 percent. Total wells drilled decreased by 12.7 percent to 807 wells drilled in the quarter as compared to 924 wells drilled in 2018. The length of metres drilled also decreased by 11.9 percent during the current quarter to 2.51 million metres as compared to 2.85 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.

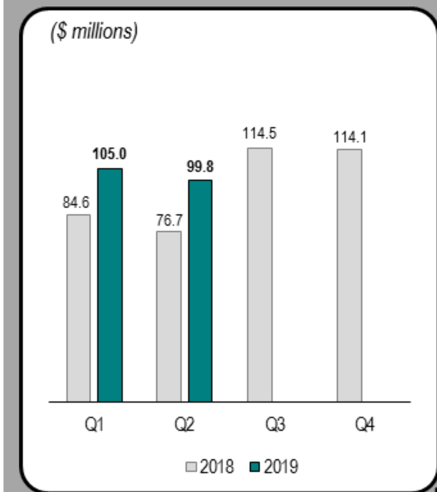
The number of wells completed on a geographic basis for the quarter was as follows:

	Three month periods ended June 30			
	2019	**2018**	**# Change**	**% Change**
British Columbia	**105**	90	15	16.7
Alberta	**410**	534	(124)	(23.2)
Saskatchewan	**271**	283	(12)	(4.2)
Manitoba	**21**	17	4	23.5
Northwest Territories	**—**	—	—	—
Total	**807**	924	(117)	(12.7)

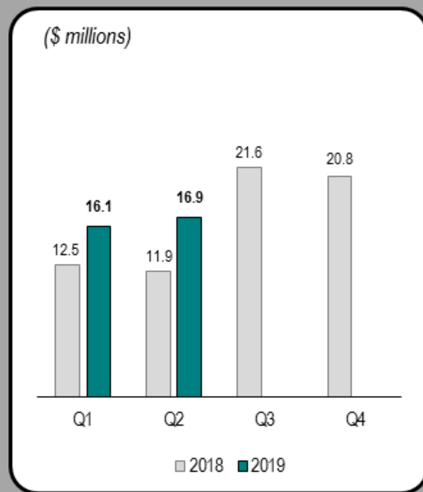
source: JuneWarren-Nickle's Energy Group – wells completed on rig release basis.

Summary – Trailing Six Quarters

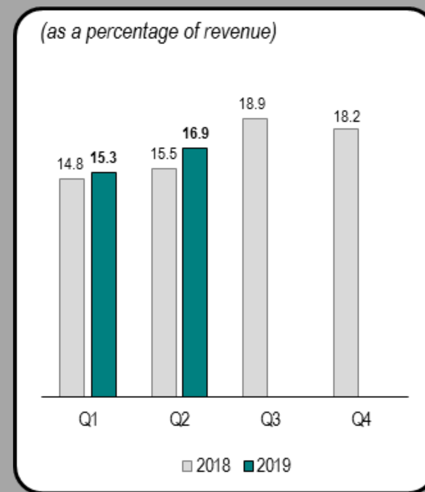
Revenue



OIBDA



Operating Margin[1]



Revenue

Q2 Revenue – Oilfield Services *(unaudited)* *($ millions)*	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**76.3**	**76.5**	56.6	73.8	19.7	34.8
Contractors	**23.3**	**23.3**	19.7	25.7	3.6	18.3
Other	**0.2**	**0.2**	0.4	0.5	(0.2)	(50.0)
Total	**99.8**	**100.0**	76.7	100.0	23.1	30.1

Segment revenue increased by $23.1 million, or 30.1 percent, to $99.8 million as compared to $76.7 million in 2018 and represented 31.2 percent of pre-consolidated revenue as compared to 25.9 percent in 2018. The rise in revenue can be attributed to the $25.8 million of incremental revenue related to the acquisitions of AECOM ISD and Canadian Hydrovac and improved revenue generated by Premay Pipeline. This increase was partially offset by the decline in drilling activity in the WCSB. Some of the specific factors that impacted revenue in the second quarter were the following:

- a $21.0 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 $6.5 million increase in revenue generated by those Business Units providing specialized services primarily due to a $6.0 million increase in revenue at Premay Pipeline, a provider of pipeline hauling and stringing services as well as the acquisition of Canadian Hydrovac;
- a $4.0 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 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 $19.7 million, or 34.8 percent, to $76.3 million as compared to $56.6 million in 2018. Company Equipment revenue

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

represented 76.5 percent of segment revenue in the current period as compared to 73.8 percent in 2018. Revenue related to Contractors increased by $3.6 million, or 18.3 percent, to $23.3 million as compared to $19.7 million in 2018 and represented 23.3 percent of segment revenue in the current period as compared to 25.7 percent in 2018.

Direct Operating Expenses

Q2 Direct Operating Expenses – Oilfield Services *(unaudited)* *($ millions)*	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**21.2**	**27.8**	13.2	23.3	8.0	60.6
Fuel	**5.7**	**7.5**	4.6	8.1	1.1	23.9
Repairs and maintenance	**13.0**	**17.0**	11.1	19.6	1.9	17.1
Purchased transportation	**0.3**	**0.4**	0.2	0.4	0.1	50.0
Operating supplies	**9.6**	**12.6**	7.4	13.1	2.2	29.7
Other	**2.0**	**2.6**	1.7	3.0	0.3	17.6
	51.8	**67.9**	38.2	67.5	13.6	35.6
Contractors	**19.6**	**84.1**	15.8	80.2	3.8	24.1
Total	**71.4**	**71.5**	54.0	70.4	17.4	32.2

**as a percentage of respective Oilfield Services revenue*

DOE increased by $17.4 million, or 32.2 percent, to $71.4 million in the second quarter as compared to $54.0 million in 2018 due to the following factors:

- a $23.1 million, or 30.1 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 1.1 percent to 71.5 percent as compared to 70.4 percent in 2018.

DOE associated with Company Equipment in the second quarter increased to $51.8 million as compared to $38.2 million in 2018. The increase of $13.6 million, or 35.6 percent, was directly related to the $19.7 million, or 34.8 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 0.4 percent to 67.9 percent as compared to 67.5 percent in 2018, primarily due to higher wages and benefits expense that rose by 4.5 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 second quarter increased by $3.8 million to $19.6 million as compared to $15.8 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 84.1 percent as compared to 80.2 percent in 2018 due to the AECOM ISD acquisition.

Selling and Administrative Expenses

Q2 Selling and Administrative Expenses – Oilfield Services *(unaudited)* *($ millions)*	2019		2018		Change	
	$	%*	$	%*	$	%
Wages and benefits	**6.5**	**6.5**	6.2	8.1	0.3	4.8
Communications, utilities and general supplies	**3.5**	**3.5**	3.4	4.4	0.1	2.9
Profit share	**1.1**	**1.1**	0.6	0.8	0.5	83.3
Rent and other	**0.4**	**0.4**	0.6	0.8	(0.2)	(33.3)
Total	**11.5**	**11.5**	10.8	14.1	0.7	6.5

**as a percentage of total Oilfield Services revenue*

S&A expenses were $11.5 million in the second quarter as compared to $10.8 million in 2018. The $0.7 million increase was attributable to the $1.5 million of incremental S&A expenses related to acquisitions being partially offset by the $0.5 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 11.5 percent in comparison to 14.1 percent in 2018, primarily due to the fixed nature of these expenses relative to the 30.1 percent increase in segment revenue.

Operating Income Before Depreciation and Amortization

OIBDA in the second quarter increased by $5.0 million, or 42.0 percent, to $16.9 million as compared to $11.9 million in 2018. Operating margin[1] increased to 16.9 percent in the second quarter as compared to 15.5 percent in 2018 due to enhanced profitability in those Business Units involved in the transportation of fluids and servicing of wells as a result of the AECOM ISD acquisition and the greater proportion of higher margin specialized services. In addition, IFRS 16 – Leases had a 0.6 percent positive impact on the operating margin[1]. These gains were offset by the significant decline in margin generated by those Business Units mostly tied to drilling related activity. Some of the specific factors that impacted OIBDA in the second quarter were the following:

- a $5.1 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $1.0 million increase in those Business Units providing specialized services such as large diameter pipe stockpiling and stringing services as well as water management services; and
- a $1.1 million decrease in those Business Units tied to drilling and drilling related activity.

Capital Expenditures

Net capital expenditures[1] were $2.5 million in the second quarter of 2019, an increase of $4.8 million as compared to $(2.3) million in 2018. Gross capital expenditures were $4.9 million and dispositions were $2.4 million for net capital expenditures[1] of $2.5 million in 2019. The majority of the new capital was invested at Envolve to expand our disposal capacity and service offering to our customers with the addition of a new disposal well, which was completed in the second quarter. Capital was also allocated to purchase pumps at Canadian Dewatering to support customer demand and to enhance our investment in new tier 4 environmentally friendly pumps. The majority of the dispositions related to transferring trucks, trailers and some hydrovac equipment to the Trucking/Logistics segment to improve asset utilization. In 2018 gross capital expenditures were $2.3 million and dispositions were $4.6 million for net capital expenditures[1] of $(2.3) 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 $1.7 million in the second quarter of 2019 as compared to a loss of $1.0 million in 2018. The $0.7 million increase in loss was mainly attributable to lower income from real estate holdings and from higher salary costs associated with the new retention plan for corporate personnel and Business Unit leaders being somewhat offset by greater income generated by the Corporate Office. In the second quarter of 2019, the Corporate Office recorded a foreign exchange loss of $0.1 million as compared to a foreign exchange gain of $0.2 million in 2018.

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CONSOLIDATED FINANCIAL RESULTS – SIX MONTH PERIOD ENDED JUNE 30, 2019

Revenue

Consolidated Revenue by Segment **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**434.8**	**68.0**	426.9	72.6	7.9	1.9
Oilfield Services	**204.8**	**32.0**	161.3	27.4	43.5	27.0
Corporate and intersegment eliminations	**(1.0)**	**—**	(0.4)	—	(0.6)	—
Total	**638.6**	**100.0**	587.8	100.0	50.8	8.6

**as a percentage of pre-consolidated revenue*

Consolidated revenue in 2019 increased by $50.8 million, or 8.6 percent, to $638.6 million as compared to $587.8 million in 2018. This increase in revenue was primarily due to acquisitions that led to a rise in revenue for both segments. Revenue increased by $27.5 million and $23.3 million in the first and second quarters, respectively.

Revenue in the Trucking/Logistics segment increased by $7.9 million, or 1.9 percent, to $434.8 million as compared to $426.9 million in 2018. We attribute the improvement to a series of small acquisitions because the overall demand for freight services, especially in western Canada, declined year over year. Revenue in the Oilfield Services segment increased by $43.5 million, or 27.0 percent, to $204.8 million as compared to $161.3 million due to the acquisitions of the AECOM ISD assets and Canadian Hydrovac at the end of the second quarter of 2018 as well as an increase in demand for large diameter pipeline stringing and stockpiling services. Revenue, however, was negatively impacted by lower drilling activity in the WCSB and a decline in the movement of crude oil shipments by truck.

Consolidated Revenue **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**439.7**	**68.9**	396.4	67.4	43.3	10.9
Contractors	**195.3**	**30.6**	186.9	31.8	8.4	4.5
Other	**3.6**	**0.5**	4.5	0.8	(0.9)	(20.0)
Total	**638.6**	**100.0**	587.8	100.0	50.8	8.6

Revenue related to Company Equipment increased by $43.3 million, or 10.9 percent, to $439.7 million as compared to $396.4 million in 2018 and represented 68.9 percent of consolidated revenue in the current period as compared to 67.4 percent in 2018. This increase was related to Company Equipment operated by acquisitions. Revenue related to Contractors increased by $8.4 million, or 4.5 percent, to $195.3 million as compared to $186.9 million in 2018, and represented 30.6 percent of consolidated revenue in the current period as compared to 31.8 percent in 2018.

Direct Operating Expenses

Consolidated Direct Operating Expenses **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**119.3**	**27.1**	104.3	26.3	15.0	14.4
Fuel	**44.8**	**10.2**	44.9	11.3	(0.1)	(0.2)
Repairs and maintenance	**60.0**	**13.6**	55.4	14.0	4.6	8.3
Purchased transportation	**45.2**	**10.3**	41.6	10.5	3.6	8.7
Operating supplies	**30.2**	**6.9**	26.1	6.6	4.1	15.7
Other	**11.8**	**2.7**	12.2	3.1	(0.4)	(3.3)
	311.3	**70.8**	284.5	71.8	26.8	9.4
Contractors	**148.0**	**75.8**	140.6	75.2	7.4	5.3
Total	**459.3**	**71.9**	425.1	72.3	34.2	8.0

**as a percentage of respective Consolidated revenue*

For the period DOE were generally in line with the increase in revenue. DOE in 2019 were $459.3 million as compared to $425.1 million in 2018. The increase of $34.2 million, or 8.0 percent, was attributable to the $50.8 million increase in consolidated revenue. As a percentage of revenue these expenses decreased slightly to 71.9 percent as compared to 72.3 percent in 2018 due to lower fuel prices and operational efficiency gains in the Trucking/Logistics segment being mostly offset by lower margin business associated with acquisitions.

In 2019 DOE associated with Company Equipment increased to $311.3 million as compared to $284.5 million in 2018. The increase of $26.8 million, or 9.4 percent, was attributable to the $43.3 million increase in Company revenue that occurred during the period. As a percentage of Company revenue these expenses decreased to 70.8 percent as compared to 71.8 percent in 2018. A reduction in fuel expense accounted for the majority of the decline. Total fuel expense decreased by 1.1 percent of Company revenue to 10.2 percent, or $44.8 million, as compared to 11.3 percent or $44.9 million in 2018.

Contractors expense in 2019 increased by 5.3 percent to $148.0 million, as compared to $140.6 million in 2018. This $7.4 million increase was in line with the $8.4 million, or 4.5 percent, rise in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.6 percent to 75.8 percent as compared to 75.2 percent in 2018 due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells in the Oilfield Services segment, being offset by greater operational efficiencies experienced by the Trucking/Logistics segment.

Selling and Administrative Expenses

Consolidated Selling and Administrative Expenses **Six month periods ended June 30** **(*unaudited*)** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**50.1**	**7.8**	46.0	7.8	4.1	8.9
Communications, utilities and general supplies	**23.7**	**3.7**	22.2	3.8	1.5	6.8
Profit share	**5.7**	**0.9**	4.8	0.8	0.9	18.8
Foreign exchange	**0.4**	**0.1**	(1.1)	(0.2)	1.5	(136.4)
Stock-based compensation	**0.7**	**0.1**	0.9	0.2	(0.2)	(22.2)
Rent and other	**3.3**	**0.5**	7.7	1.3	(4.4)	(57.1)
Total	**83.9**	**13.1**	80.5	13.7	3.4	4.2

**as a percentage of total Consolidated revenue*

For the period S&A expenses were up year over year and in line with the increase in revenue. These expenses increased by $3.4 million to $83.9 million in 2019 as compared to $80.5 million in 2018. The $1.5 million of the increase was attributed to a negative variance in foreign exchange expense that relates to a year over year change in the Canadian dollar relative to the U.S. dollar. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $83.7 million, or 13.1 percent of revenue, as compared to $80.8 million, or 13.7 percent in 2018. The $2.9 million increase was attributable to the $4.5 million of incremental S&A expenses associated with acquisitions, most notably wages and benefits expense. This increase was 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

Consolidated Operating Income Before Depreciation and Amortization
Six month periods ended June 30

(unaudited) *($ millions)*	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**66.3**	**69.5**	59.2	72.0	7.1	12.0
Oilfield Services	**33.0**	**34.6**	24.4	29.7	8.6	35.2
Corporate	**(3.9)**	**(4.1)**	(1.4)	(1.7)	(2.5)	178.6
Total	**95.4**	**100.0**	82.2	100.0	13.2	16.1

OIBDA for the period was $95.4 million, or 14.9 percent of revenue, as compared to $82.2 million, or 14.0 percent, in 2018. The $13.2 million, or 16.1 percent, increase was primarily due to the effect of the adoption of IFRS 16 – Leases whereby $6.2 million of previously expensed operating leases were capitalized and depreciated. This had a 90-bps impact on operating margin[1]. On a year over year comparative basis, operating margin[1] was constant at 14.0 percent.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $35.2 million in the first six months of 2019 as compared to $33.4 million in 2018. This increase of $1.8 million was mainly attributable to a greater amount of depreciation being recorded in the Trucking/Logistics segment, while depreciation in the Oilfield Services segment and the Corporate Office remained relatively consistent on a year over year basis. Depreciation in the Trucking/Logistics segment increased by $1.7 million due to an increase in the amount of capital expenditures being made within this segment. Depreciation in the Oilfield Services segment remained relatively consistent on a year over year basis as the impact of a lower amount of capital expenditures made within this segment was offset by the incremental depreciation being recorded on the assets acquired in the AECOM ISD and the Canadian Hydrovac acquisitions.

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets was $5.6 million in the first six months of 2019 consisting of $4.5 million in the Trucking/Logistics segment and $1.1 million in the Oilfield Services segment. 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. 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.

Amortization of Intangible Assets

Amortization of intangible assets was $8.9 million in the first six months of 2019 as compared to $7.2 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.

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

Finance Costs

Finance costs were $10.3 million in the first six months of 2019 as compared to $10.7 million in 2018. The decrease of $0.4 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 2009 Debentures which matured on July 1, 2018. These decreases were somewhat offset by $0.7 million of interest expense being recorded on lease liabilities, the interest expense on the 2019 Debentures, a reduction in interest income and from a greater amount of interest expense being recorded on borrowings on the Bank Credit Facility and from our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar in 2019.

Net Foreign Exchange (Gain) Loss

The net foreign exchange gain was $7.9 million in the first six months of 2019 as compared to a net foreign exchange loss of $8.1 million in 2018. The components of net foreign exchange (gain) loss are as follows:

Net Foreign Exchange (Gain) Loss	**Six month periods ended June 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2019**	**2018**
Foreign exchange (gain) loss on U.S. $ debt	**(12.7)**	14.3
Foreign exchange loss (gain) on Cross-Currency Swaps	**4.8**	(6.2)
Net foreign exchange (gain) loss	**(7.9)**	8.1

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

We recorded a foreign exchange gain of $12.7 million related to the Corporation's U.S. dollar debt due to the $0.0555 strengthening of the Canadian dollar relative to the U.S. dollar in the first six months of 2019. For the same period in 2018, we recorded a foreign exchange loss of $14.3 million due to the weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange (gain) loss on U.S. dollar debt are summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Six month periods ended June 30**					
	2019			**2018**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – June 30	**229.0**	**1.3087**	**299.7**	229.0	1.3168	301.6
Beginning – January 1	**229.0**	**1.3642**	**312.4**	229.0	1.2545	287.3
Foreign exchange (gain) loss on U.S. $ debt			**(12.7)**			14.3

Foreign Exchange Loss (Gain) on Cross-Currency Swaps

We recorded a foreign exchange loss on Cross-Currency Swaps of $4.8 million in the first six months of 2019 as compared to a $6.2 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	**Six month periods ended June 30**			
	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	(3.5)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**2.1**	112.0	(2.7)
Foreign exchange loss (gain) on Cross-Currency Swaps		**4.8**		(6.2)

Other (Income) Expense

Other income was $0.3 million for the first six months of 2019 as compared to $1.7 million of other income recorded in 2018. The $1.4 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $1.1 million). There was no change in the fair value of investments in the first six months of 2019 as compared to a $1.1 million decrease in 2018. There were no investments purchased or sold during the first six months of 2019 or 2018.

Loss or Gain on Sale of Property, Plant and Equipment (negative variance of $2.2 million). We recognized a loss of $1.4 million on sale of property, plant and equipment on consolidated proceeds on sale of $2.5 million in the first six months of 2019 as compared to a $0.8 million gain on consolidated proceeds on sale of $7.5 million in 2018. The $1.4 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. The $0.8 million gain on sale of property, plant and equipment in 2018 mainly resulted from the sale of older equipment in the Oilfield Services segment.

Earnings from Equity Investments (negative variance of $0.3 million). We recognized $1.7 million of earnings from equity investments in the first six months of 2019 as compared to $2.0 million in 2018. The $0.3 million negative variance was mainly due to lower earnings in 2019 being generated by Thrive and Kriska Transportation Group Limited.

Income Taxes

(unaudited) *($ millions)*	Six month periods ended June 30 **2019**	**2018**
Income before income taxes	**$ 43.6**	$ 24.5
Combined statutory tax rate	**27%**	27%
Expected income tax	**11.8**	6.6
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(1.1)**	1.1
Non-deductible (taxable) portion of the change in fair value of investments	**—**	0.1
Stock-based compensation expense	**0.2**	0.2
Changes in unrecognized deferred tax asset	**(1.1)**	1.1
Decrease in income tax due to changes in income tax rate	**(9.4)**	—
Other	**(0.1)**	—
Income tax expense	**$ 0.3**	$ 9.1

Income tax expense was $0.3 million in the first six months of 2019 as compared to $9.1 million in 2018. The decrease of $8.8 million was mainly attributable to the decrease in the substantively enacted tax rate in Alberta during the period partially offset by the greater amount of earnings generated in 2019 as compared to the prior year.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Six month periods ended June 30 **2019**	**2018**	**% Change**
Net income	**$ 43.3**	$ 15.4	181.2
Weighted average number of Common Shares outstanding	**104,824,973**	103,714,891	1.1
Earnings per share – basic	**$ 0.41**	$ 0.15	173.3

Net income increased to $43.3 million in the first six months of 2019 as compared to $15.4 million in 2018. The factors contributing to the increase in net income include:

- a $16.0 million positive variance in net foreign exchange;
- a $13.2 million increase in OIBDA;
- an $8.8 million decrease in income tax expense;
- a $1.1 million positive variance in the fair value of investments; and
- a $0.4 million decrease in finance costs.

The following factors contributed to a decrease in net income:

- a $5.6 million increase in depreciation of right-of-use assets;
- a $2.2 million increase in the loss on sale of property, plant and equipment;
- a $1.8 million increase in depreciation of property, plant and equipment;
- a $1.7 million increase in amortization of intangible assets; and
- a $0.3 million decrease in earnings from equity investments.

Basic earnings per share increased to $0.41 in 2019 as compared to $0.15 in 2018. This increase resulted from the effect of the $27.9 million increase in net income. The weighted average number of Common Shares outstanding increased slightly from 103,714,891 to 104,824,973, which was mainly due to the conversion of some of the 2009 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)*	**Six month periods ended June 30**	
	2019	**2018**
Income before income taxes	**$ 43.6**	$ 24.5
Add (deduct):		
Net foreign exchange (gain) loss	**(7.9)**	8.1
Change in fair value of investments	**—**	1.1
Income before income taxes – adjusted	**35.7**	33.7
Income tax rate	**27%**	27%
Computed expected income tax expense	**9.6**	9.1
Net income – adjusted(1)	**26.1**	24.6
Weighted average number of Common Shares outstanding – basic	**104,824,973**	103,714,891
Earnings per share – adjusted(1)	**$ 0.25**	$ 0.24

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

SEGMENTED INFORMATION – SIX MONTH PERIOD ENDED JUNE 30, 2019

Six month period ended June 30, 2019 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Revenue	**434.8**	**204.8**	**(1.0)**	**638.6**
Direct operating expenses	**315.6**	**148.0**	**(4.3)**	**459.3**
Selling and administrative expenses	**52.9**	**23.8**	**7.2**[(2)]	**83.9**
Operating income before depreciation and amortization	**66.3**	**33.0**	**(3.9)**	**95.4**
Net capital expenditures[(1)]	**20.5**	**7.3**	**3.1**	**30.9**

Six month period ended June 30, 2018 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$
Revenue	426.9	161.3	(0.4)	587.8
Direct operating expenses	315.1	114.3	(4.3)	425.1
Selling and administrative expenses	52.6	22.6	5.3[(3)]	80.5
Operating income before depreciation and amortization	59.2	24.4	(1.4)	82.2
Net capital expenditures[(1)]	23.1	(0.5)	0.6	23.2

[(1)] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
[(2)] Includes a $0.2 million foreign exchange loss.
[(3)] Includes a $0.3 million foreign exchange gain.

TRUCKING/LOGISTICS SEGMENT

Revenue

Revenue – Trucking/Logistics Six month periods ended June 30 *(unaudited)* *($ millions)*	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**287.7**	**66.2**	280.3	65.7	7.4	2.6
Contractors	**146.5**	**33.7**	146.0	34.2	0.5	0.3
Other	**0.6**	**0.1**	0.6	0.1	—	—
Total	**434.8**	**100.0**	426.9	100.0	7.9	1.9

The Trucking/Logistics segment revenue increased by $7.9 million, or 1.9 percent, to $434.8 million as compared to $426.9 million in 2018 and represented 68.0 percent of pre-consolidated revenue in 2019 as compared to 72.6 percent in 2018. Segment revenue increased as a result of the incremental revenue related to our recent acquisitions. Revenue increased by $7.7 million and $0.2 million in the first and second quarters, respectively. Some of the specific factors that impacted revenue were the following:

- The regional LTL business improved by $2.2 million, or 1.0 percent, during the six month period and benefitted from minor rate increases and market share gains being largely offset by lower freight volumes in the Alberta and Saskatchewan markets during the second quarter. The five regional LTL Business Units[1] generated revenue of $219.2 million as compared to $217.0 million in 2018.

[1] Although their primary service offering is LTL, they provide many other services including full-truckload, bulk and logistics services.

- Our nine truckload services Business Units generated $221.2 million in revenue as compared to $215.5 million in 2018 due to the $6.7 million of incremental revenue generated by our recent acquisitions.

- Fuel surcharge revenue, excluding the effect of acquisitions, declined by $0.5 million to $43.3 million as compared to $43.8 million in 2018 as diesel prices moderated.

Revenue related to Company Equipment increased by $7.4 million, or 2.6 percent, to $287.7 million as compared to $280.3 million in 2018 and represented 66.2 percent of segment revenue in the current period as compared to 65.7 percent in 2018. Revenue related to Contractors increased by $0.5 million, or 0.3 percent, to $146.5 million as compared to $146.0 million in 2018 and represented 33.7 percent of segment revenue in the current period as compared to 34.2 percent in 2018.

Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**75.9**	**26.4**	75.8	27.0	0.1	0.1
Fuel	**31.9**	**11.1**	34.1	12.2	(2.2)	(6.5)
Repairs and maintenance	**34.2**	**11.9**	33.3	11.9	0.9	2.7
Purchased transportation	**44.4**	**15.4**	41.0	14.6	3.4	8.3
Operating supplies	**12.6**	**4.4**	12.8	4.6	(0.2)	(1.6)
Other	**8.4**	**2.9**	9.0	3.2	(0.6)	(6.7)
	207.4	**72.1**	206.0	73.5	1.4	0.7
Contractors	**108.2**	**73.9**	109.1	74.7	(0.9)	(0.8)
Total	**315.6**	**72.6**	315.1	73.8	0.5	0.2

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

For the period DOE expressed as a percentage of revenue decreased by 1.2 percent to 72.6 percent as compared to 73.8 percent in 2018, which we attribute to a combination of productivity gains associated with new trucks along with quality and cost control initiatives. Total DOE were $315.6 million in 2019 as compared to $315.1 million in 2018, representing a small increase of $0.5 million, or 0.2 percent, even though revenue increased by $7.9 million. Fuel expense also declined partially as a result of the decline in oil prices as well as better fuel mileage associated with the new trucks added to the fleet.

DOE related to Company Equipment increased by $1.4 million, or 0.7 percent, to $207.4 million as compared to $206.0 million in 2018, primarily as a result of the $7.4 million increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 1.4 percent to 72.1 percent as compared to 73.5 percent in 2018. This decrease was due to decreased fuel costs associated with the year over year decline in diesel prices and greater operational efficiencies being somewhat offset by the effect of our recent acquisitions that have higher relative operating costs.

Contractors expense in 2019 decreased by $0.9 million to $108.2 million as compared to $109.1 million in 2018, even with a $0.5 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased slightly to 73.9 percent as compared to 74.7 percent in 2018 due to the greater availability of third party subcontractors.

Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**32.8**	**7.5**	30.9	7.2	1.9	6.1
Communications, utilities and general supplies	**14.7**	**3.4**	13.9	3.3	0.8	5.8
Profit share	**3.6**	**0.8**	3.5	0.8	0.1	2.9
Foreign exchange	**0.2**	**—**	(0.8)	(0.2)	1.0	(125.0)
Rent and other	**1.6**	**0.5**	5.1	1.2	(3.5)	(68.6)
Total	**52.9**	**12.2**	52.6	12.3	0.3	0.6

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

S&A expenses were $52.9 million in 2019 as compared to $52.6 million in 2018. The increase of $0.3 million was primarily due to the $1.2 million of incremental S&A expenses associated with the acquisitions, a $1.0 million negative variance in foreign exchange and the $0.1 million increase in profit share expense due to the improved profitability being offset by the $3.5 million reduction in rent expense as a result of the adoption of IFRS 16 – Leases. S&A expenses as a percentage of segment revenue remained relatively stable at 12.2 percent as compared to 12.3 percent in 2018.

Operating Income Before Depreciation and Amortization

OIBDA in 2019 increased by $7.1 million, or 12.0 percent, to $66.3 million as compared to $59.2 million generated in 2018. Operating margin[1] increased to 15.2 percent as compared to 13.9 percent in 2018. The majority of this rise in OIBDA, specifically $5.0 million, was due to the adoption of IFRS 16 – Leases. In addition, acquisitions accounted for $0.9 million of incremental growth.

Operating margin[1] increased by 1.3 percent to 15.2 percent as compared to 13.9 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 14.0 percent.

Capital Expenditures

Net capital expenditures[1] were $20.5 million in the first six months of 2019, a decrease of $2.6 million as compared to $23.1 million in 2018. The Trucking/Logistics segment had gross capital expenditures of $21.5 million and dispositions of $1.0 million for net capital expenditures[1] of $20.5 million in 2019. Gross capital expenditures mainly consisted of the purchase of trucks and trailers to support new opportunities and to replace older equipment within our LTL operations with more fuel efficient units. In addition, we transferred some equipment to the Trucking/Logistics segment from the Oilfield Services segment to improve asset utilization and support new opportunities. In 2018 gross capital expenditures were $24.7 million and dispositions were $1.6 million for net capital expenditures[1] of $23.1 million.

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

OILFIELD SERVICES SEGMENT

One of the main business drivers of our Oilfield Services segment is related to drilling activity in the WCSB. Current activity as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, declined in the first six months of 2019 as compared to the prior year. Industry statistics indicate that the average active rig count was 135 rigs during 2019 as compared to 190 active rigs in 2018, a decrease of 55 rigs or 28.9 percent. In addition, total wells drilled in 2019 decreased by 18.5 percent to 2,960 wells drilled in the period as compared to 3,633 wells drilled in 2018. The length of metres drilled within such wells decreased by 25.1 percent during the current period to 7.08 million metres as compared to 9.45 million metres in 2018.

The number of wells completed on a geographic basis for the six month periods was as follows:

	Six month periods ended June 30			
	2019	**2018**	**# Change**	**% Change**
British Columbia	**207**	225	(18)	(8.0)
Alberta	**1,776**	2,178	(402)	(18.5)
Saskatchewan	**883**	1,132	(249)	(22.0)
Manitoba	**94**	98	(4)	(4.1)
Northwest Territories	**—**	—	—	—
Total	**2,960**	3,633	(673)	(18.5)

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

Revenue

Revenue – Oilfield Services **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**151.9**	**74.2**	116.1	72.0	35.8	30.8
Contractors	**52.4**	**25.6**	44.5	27.6	7.9	17.8
Other	**0.5**	**0.2**	0.7	0.4	(0.2)	(28.6)
Total	**204.8**	**100.0**	161.3	100.0	43.5	27.0

Despite significant challenges, segment revenue increased by $43.5 million, or 27.0 percent, to $204.8 million. This compares favourably to $161.3 million in 2018 and represented 32.0 percent of pre-consolidated revenue as compared to 27.4 percent of pre-consolidated revenue in 2018. The increase was mainly attributable to two factors: the acquisition of AECOM ISD that contributed $39.4 million of incremental revenue in the first half of 2019; and an improvement in demand for large diameter pipeline hauling and stringing services. These gains were partially offset by a significant reduction in drilling activity. Revenue increased by $20.4 million and $23.1 million in the first and second quarters, respectively. Specific factors affecting the segment's year to date revenue were:

- a $36.2 million increase in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells primarily due to the AECOM ISD acquisition that was completed at the end of the second quarter of 2018;
- a $21.5 million increase in revenue generated by those Business Units providing specialized services, including a $14.1 million increase in pipeline hauling and stringing services revenue as well as $4.5 million of incremental revenue generated by the Canadian Hydrovac acquisition; and
- a $13.4 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as a result of lower drilling activity in the WCSB.

Direct Operating Expenses

Direct Operating Expenses – Oilfield Services **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**43.4**	**28.6**	28.5	24.5	14.9	52.3
Fuel	**12.9**	**8.5**	10.8	9.3	2.1	19.4
Repairs and maintenance	**25.8**	**17.0**	22.1	19.0	3.7	16.7
Purchased transportation	**0.7**	**0.5**	0.6	0.5	0.1	16.7
Operating supplies	**17.6**	**11.6**	13.4	11.5	4.2	31.3
Other	**4.3**	**2.7**	3.6	3.2	0.7	19.4
	104.7	**68.9**	79.0	68.0	25.7	32.5
Contractors	**43.3**	**82.6**	35.3	79.3	8.0	22.7
Total	**148.0**	**72.3**	114.3	70.9	33.7	29.5

**as a percentage of respective Oilfield Services revenue*

DOE were $148.0 million in 2019 as compared to $114.3 million in 2018. The increase of $33.7 million, or 29.5 percent, was directly related to a $43.5 million increase in segment revenue. Higher wages and benefits expense associated with the acquisitions were somewhat offset by lower fuel expense due to the fall in fuel prices as well as improvements in repairs and maintenance expense.

As a percentage of revenue these expenses increased by 1.4 percent to 72.3 percent compared to 70.9 percent in 2018 largely as a result of the change in revenue mix as a result of the acquisitions.

DOE associated with Company Equipment increased by $25.7 million, or 32.5 percent, to $104.7 million as compared to $79.0 million in 2018. This increase was directly related to the $35.8 million, or 30.8 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 0.9 percent to 68.9 percent as compared to 68.0 percent in 2018 primarily due to higher wages and benefits expense as a result of the operating nature of our acquisitions being partially offset by a reduction in fuel expense and a focus on operational efficiencies.

Contractors expense increased to $43.3 million, as compared to $35.3 million in 2018. This $8.0 million increase was directly related to the increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 82.6 percent as compared to 79.3 percent due to the nature of the AECOM ISD acquisition.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2019**		**2018**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**13.8**	**6.7**	12.7	7.9	1.1	8.7
Communications, utilities and general supplies	**7.3**	**3.6**	7.0	4.3	0.3	4.3
Profit share	**2.1**	**1.0**	1.3	0.8	0.8	61.5
Rent and other	**0.6**	**0.3**	1.6	1.0	(1.0)	(62.5)
Total	**23.8**	**11.6**	22.6	14.0	1.2	5.3

**as a percentage of total Oilfield Services revenue*

S&A expenses in 2019 increased by $1.2 million to $23.8 million as compared to $22.6 million in 2018 primarily due to the $3.3 million of incremental S&A expenses associated with the acquisitions and the $0.8 million increase in profit share expense being partially offset by the reduction in rent expense as a result of the adoption of IFRS 16 – Leases and various cost control initiatives. S&A expenses as a percentage of segment revenue decreased by 2.4 percent to 11.6 percent due to the overall fixed nature of these expenses relative to the $43.5 million increase in segment revenue.

Operating Income Before Depreciation and Amortization

OIBDA increased by $8.6 million, or 35.2 percent, to $33.0 million, representing an increase of $3.6 million and $5.0 million in the first and second quarters, respectively. Operating margin[1] increased to 16.1 percent as compared to 15.1 percent in 2018, however, IFRS 16 – Leases had a 0.6 percent positive impact on the operating margin[1]. The net margin gain of 0.4 percent was due to the integration of the AECOM ISD assets and the change in revenue mix associated with certain large diameter pipeline projects that had a beneficial effect on margin being partially offset by the significant decline in margin generated by those Business Units most directly tied to drilling related activity. Specifically, the $8.6 million year over year increase can be attributed to the following:

- a $7.7 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $5.2 million increase relating to those Business Units leveraged to the oil sands and pipeline construction projects; and
- a $4.3 million decrease from Business Units tied to drilling and drilling related activity.

Capital Expenditures

Net capital expenditures[1] were $7.3 million in the first six months of 2019, an increase of $7.8 million as compared to $(0.5) million in 2018. The Oilfield Services segment had gross capital expenditures of $12.5 million and dispositions of $5.2 million. The majority of the new capital was invested at Envolve to expand our disposal facility and capacity with the drilling of a new disposal well, which was completed in the second quarter of 2019. Capital was also allocated to meet customer demand by purchasing pumps at Canadian Dewatering, to acquire trucks to support the AECOM ISD business acquired in 2018 and to purchase some hydrovac equipment for Canadian Hydrovac. The majority of the dispositions related to transferring some hydrovac equipment to support new opportunities at two of our Trucking/Logistics segment Business Units, as well as the transfer of some trucks and trailers to improve asset utilization. In 2018 gross capital expenditures were $6.8 million and dispositions were $7.3 million for net capital expenditures[1] of $(0.5) million.

CORPORATE

The Corporate Office recorded a loss of $3.9 million in the first six months of 2019 as compared to a loss of $1.4 million in 2018. The $2.5 million increase in loss was mainly attributable to higher salary costs associated with the new retention plan for corporate personnel and Business Unit leaders and from lower income generated from investments and real estate holdings. In the first six months of 2019, the Corporate Office recorded a foreign exchange loss of $0.2 million as compared to a foreign exchange gain of $0.3 million in 2018.

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

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Six month periods ended June 30 2019	2018
Net cash from operating activities	**$ 69.9**	$ 57.7
Net cash from (used in) financing activities	**41.6**	(113.2)
Net cash used in investing activities	**(30.2)**	(56.8)
Change in cash and cash equivalents	**81.3**	(112.3)
Effect of exchange rate fluctuations on cash held	**(0.4)**	0.5
Cash and cash equivalents, beginning of period	**3.9**	134.5
Cash and cash equivalents, end of period	**$ 84.8**	$ 22.7

Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $69.9 million in the first six months of 2019 as compared to $57.7 million in 2018. Net cash generated from financing activities in 2019 was $41.6 million as compared to using $113.2 million in 2018. The $154.8 million increase in cash from financing activities was mainly due to issuing the 2019 Debentures as compared to repaying the Series D Notes upon maturity at June 30, 2018. Net cash used in investing activities decreased by $26.6 million due to a reduction in cash used on acquisitions being somewhat offset by a greater amount of net capital expenditures[1] in 2019. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities increased to $69.9 million in the first six months of 2019 as compared to $57.7 million in 2018. The increase of $12.2 million was mainly due to a $13.2 million increase in OIBDA and from a $6.1 million decrease in cash used in non-cash working capital items. These items were somewhat offset by a $7.8 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)*	Six month periods ended June 30 2019	2018	Variance
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**4.2**	(4.1)	8.3
Inventory	**(1.8)**	(0.9)	(0.9)
Prepaid expenses	**(8.6)**	(6.3)	(2.3)
Accounts payable and accrued liabilities	**0.1**	(0.9)	1.0
Total sources (uses) of cash from non-cash working capital items	**(6.1)**	(12.2)	6.1

In the first six 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 $12.2 million of cash in 2018. This $6.1 million variance was mainly due to the following factors.

- An additional $8.3 million of cash was generated from trade and other receivables that resulted from the combined effect of a $4.2 million source of cash in 2019 as compared to a $4.1 million use of cash in 2018.

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

- An additional $0.9 million of cash was used from inventory that resulted from the combined effect of a $1.8 million use of cash in 2019 as compared to a $0.9 million use of cash in 2018.

- An additional $2.3 million of cash was used from prepaid expenses that resulted from the combined effect of an $8.6 million use of cash in 2019 as compared to a $6.3 million use of cash in 2018.

- An additional $1.0 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of a $0.1 million source of cash in 2019 as compared to a $0.9 million use of cash in 2018.

Cash From (Used In) Financing Activities

Net cash from financing activities was $41.6 million in 2019 as compared to using $113.2 million in 2018. This $154.8 million variance was mainly due to the factors set forth below.

- A $119.8 million increase in cash from issuing the 2019 Debentures in the second quarter of 2019.

- A $72.8 million decrease in the repayment of long-term debt and loans, which was mainly due to the 2018 repayments of the Series D Notes ($70.0 million) upon maturity and from repaying $1.8 million of debt acquired on the DWS acquisition.

- A $0.7 million decrease in interest paid on lease liabilities and long-term debt.

Somewhat offsetting these items were the following:

- A $2.4 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.

- A $30.0 million decrease in cash from repaying the Bank Credit Facility.

- A $5.9 million increase in the repayment of lease liabilities due to the January 1, 2019 adoption of IFRS 16 – Leases.

Cash Used In Investing Activities

Net cash used in investing activities decreased to $30.2 million in 2019 as compared to $56.8 million in 2018. This $26.6 million decrease was mainly due to the factors set forth below.

- A $34.7 million decrease in cash used to fund acquisitions due to the 2018 acquisitions of AECOM ISD, DWS and Dacota as compared to the 2019 acquisition of Jen Express.

- A $0.9 million change in other assets and net investment in finance leases.

Somewhat offsetting these items were the following:

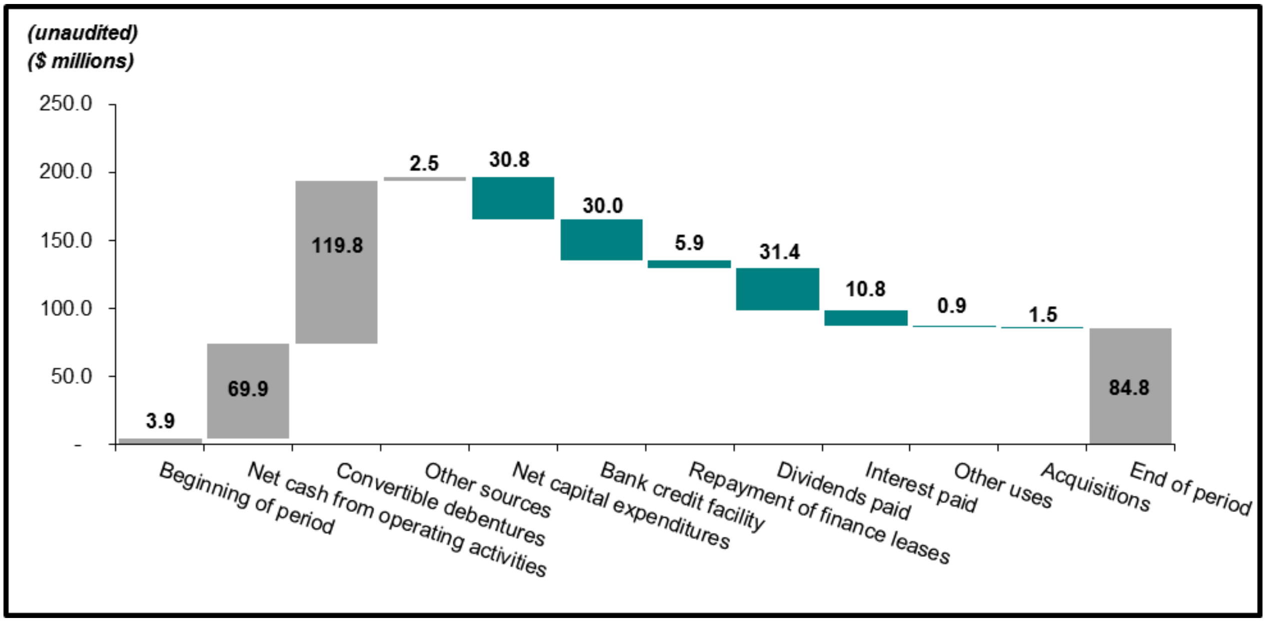
- A $7.6 million increase in net capital expenditures[1]. In 2019 net capital expenditures[1] were $30.8 million as compared to $23.2 million in 2018.

- A $0.5 million variance in changes in non-cash working capital items from investing activities.

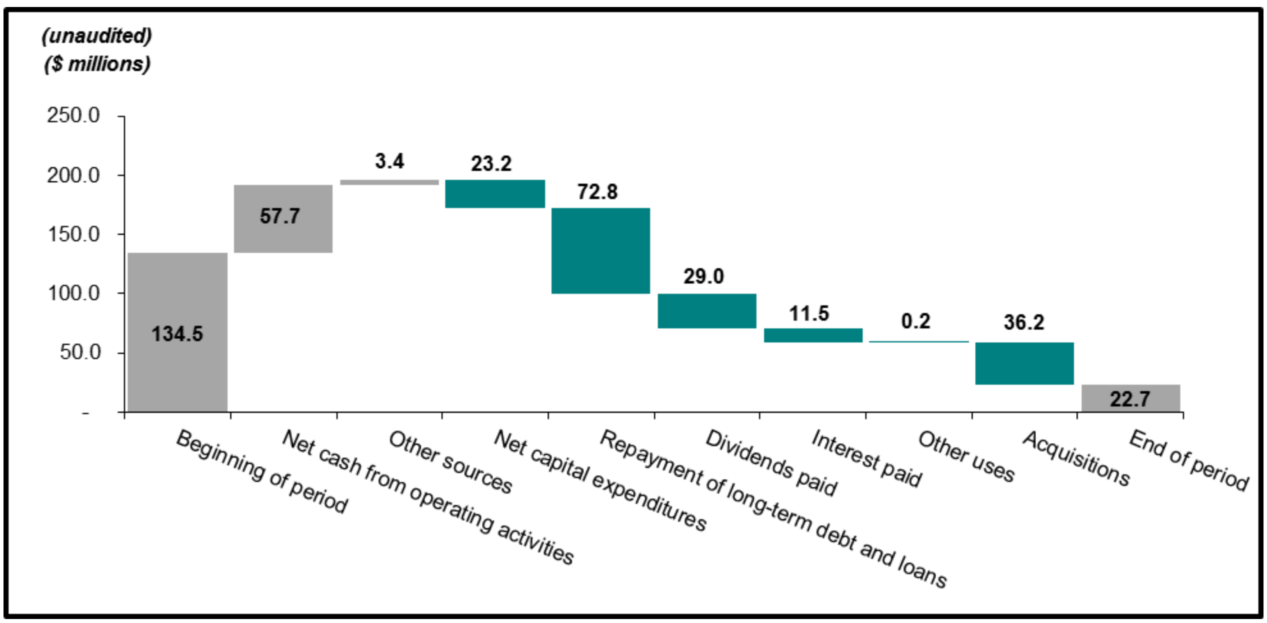
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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

Six month period ended June 30, 2019



Six month period ended June 30, 2018



In addition to the $69.9 million (2018 – $57.7 million) of net cash from operating activities, we also received $122.3 million (2018 – $3.4 million) of cash from other sources, which mainly consisted of issuing the 2019 Debentures, from 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 the Bank Credit Facility of $30.0 million (2018 – nil), repay lease liabilities of $5.9 million (2018 – nil), fund acquisitions of $1.5 million (2018 – $36.2 million), repay long-term debt and loans of nil (2018 – $72.8 million), pay dividends totalling $31.4 million (2018 – $29.0 million), incur net capital expenditures[1] of $30.8 million (2018 – $23.2 million) and pay interest obligations of $10.8 million (2018 – $11.5 million). We also had $0.9 million (2018 – $0.2 million) of other uses.

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

Working Capital

At June 30, 2019, we had $248.2 million (December 31, 2018 – $131.7 million) of working capital, which included $84.8 million of cash and cash equivalents, of which $7.7 million was denominated in U.S. currency. On June 21, 2019, our Bank Credit Facility was increased by $25.0 million to $150.0 million. This working capital also includes a current liability of $8.7 million related to the current portion of lease liabilities. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 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 six months of 2019, there were $3.7 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 June 30, 2019, we had net debt[1] outstanding of $361.5 million, (December 31, 2018 – $350.5 million), which consisted of total debt of $618.4 million (December 31, 2018 – $512.2 million) less working capital (excluding the current portion of lease liabilities) of $256.9 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 issuing the 2019 Debentures and from adopting IFRS 16 – Leases on January 1, 2019, resulting in $41.2 million of lease liabilities being added to the consolidated statement of financial position. Total debt is comprised of the Private Placement Debt, the 2019 Debentures, lease liabilities and the Bank Credit Facility. The following table summarizes our total debt and net debt[1] as at June 30, 2019, and December 31, 2018:

		June 30, 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**	**$ 153.1**	$ 117.0	$ 159.6	**$ (6.5)**
Series H - matures October 22, 2026	3.94%	**112.0**	**146.6**	112.0	152.8	**(6.2)**
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)	**—**	**—**	—	30.0	**(30.0)**
Less:						
Unamortized debt issuance costs		**—**	**(1.1)**	—	(1.2)	**0.1**
Long-term debt (including the current portion)		**229.0**	**469.6**	229.0	512.2	**(42.6)**
2019 Debentures – debt component	5.75%		**107.6**	—	—	**107.6**
Lease liabilities (including the current portion)	3.2%		**41.2**	—	—	**41.2**
Total debt		**$ 229.0**	**$ 618.4**	$ 229.0	$ 512.2	**$ 106.2**
Less:						
Working capital (excluding the Bank Credit Facility and the current portion of leases)			**256.9**		161.7	**95.2**
Net debt(2)			**$ 361.5**		$ 350.5	**$ 11.0**

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

Total Net Debt[1] to Operating Cash Flow. Mullen Group's total net debt[1] cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt[1] means all debt including the Private Placement Debt, lease liabilities, the Bank Credit Facility and letters of credit, excluding the 2019 Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. The term "**operating cash flow**", as defined within the 2014 Note Purchase Agreement, means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the 2019 Debentures; and (iv) non-cash charges. Total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables us to include the trailing twelve months operating cash flows from acquisitions. Although permitted, we have not included any operating cash flows generated prior to the date of acquisition from our recent acquisitions in this financial covenant calculation.

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

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

Total net debt(1) to operating cash flow		June 30 2019		March 31 2019		December 31 2018
Total net debt(1)	$	477.5	$	519.1	$	474.1
Operating cash flow	$	205.2	$	198.5	$	192.8
Total net debt(1) to operating cash flow		2.33:1		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.

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

Total Earnings Available for Fixed Charges to Total Fixed Charges		June 30 2019		March 31 2019		December 31 2018
Total earnings available for fixed charges	$	213.5	$	209.5	$	206.6
Total fixed charges	$	29.1	$	32.0	$	35.1
Total earnings available for fixed charges to total fixed charges		7.35:1		6.55:1		5.89:1

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

Financial Covenants	Financial Covenant Threshold	June 30 2019	March 31 2019	December 31 2018
Private Placement Debt Covenants				
(a) Total net debt(1) to operating cash flow cannot exceed	3.50:1	2.33:1	2.62:1	2.46:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	7.35:1	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 2.33:1 at June 30, 2019. Assuming the $477.5 million of total net debt[1] remains constant, we would need to generate approximately $136.4 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to our trailing twelve months' operating cash flows from the date of acquisition for financial covenant calculation purposes.

Mullen Group is also subject to a priority debt covenant. The term "**priority debt**" means all indebtedness secured by permitted liens excluding certain qualified subsidiary debt. Priority debt cannot exceed 15.0 percent of total assets. At June 30, 2019, the priority debt was $0.8 million or an insignificant percentage of total assets.

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

Our debt-to-equity ratio was 0.67:1 at June 30, 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 $106.2 million increase in total debt (including the current portion) and a $21.7 million increase in equity as compared to December 31, 2018. The $106.2 million increase in total debt was mainly due to an additional $107.6 million of the debt component of the 2019 Debentures and from an additional $41.2 million of lease liabilities (including the current portion) resulting from the January 1, 2019, adoption of IFRS 16 – Leases. These increases were somewhat offset by the $30.0 million repayment of the amount drawn on our Bank Credit Facility and the $12.7 million foreign exchange gain on the Corporation's U.S. dollar debt. The $21.7 million increase in equity mainly resulted from the $43.3 million of net income being recognized in the first six months of 2019 and from the additional $9.1 million of the equity component of the 2019 Debentures. These increases were somewhat offset by the $31.4 million of dividends declared to shareholders in 2019.

Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 44 of the 2018 MD&A. As at June 30, 2019, Mullen Group's contractual obligations have not changed significantly from this overview, other than the 2019 Debentures, certain obligations assumed with our recent acquisitions and operating leases have been reclassified as lease liabilities with the adoption of IFRS 16 – Leases.

Convertible Unsecured Subordinated Debentures

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

The details of the 2019 Debentures are as follows:

($ millions)		June 30, 2019		December 31, 2018	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2026	5.75%	**$ 125.0**	**$ 107.6**	$ —	$ —

Share Capital

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

Common Shares

Common Shares Authorized: Unlimited Number	**# of Common Shares**	**Amount *($ millions)***
Balance at June 30, 2019	**104,824,973**	**$ 946.9**

At June 30, 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 six months of 2019.

Stock Option Plan

	Options	Weighted average exercise price
Outstanding – December 31, 2018	3,462,500	$ 19.15
Granted	—	—
Exercised	—	—
Forfeited	(130,000)	(17.40)
Outstanding – June 30, 2019	**3,332,500**	**$ 19.22**
Exercisable – June 30, 2019	**2,375,824**	**$ 20.23**

In the first six months of 2019 there were no stock options granted, no stock options exercised and 130,000 stock options forfeited. As at June 30, 2019, Mullen Group had 3,332,500 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 68.0 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)		**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	Q4	Q3
($ millions, except per share amounts)	**$**	**$**	**$**	**$**	**$**	**$**	**$**	$	$
Revenue	**1,311.6**	**319.0**	**319.6**	**333.3**	**339.7**	**295.7**	**292.1**	296.1	283.9
Operating income before depreciation and amortization[(2)]	**202.2**	**51.4**	**44.0**	**51.7**	**55.1**	**44.3**	**37.9**	46.0	44.7
Net income (loss)	**(15.9)**	**31.7**	**11.6**	**(81.1)**	**21.9**	**13.9**	**1.5**	5.4	26.0
Earnings (loss) per share									
Basic	**(0.15)**	**0.30**	**0.11**	**(0.77)**	**0.21**	**0.13**	**0.01**	0.05	0.25
Diluted	**(0.15)**	**0.30**	**0.11**	**(0.77)**	**0.21**	**0.13**	**0.01**	0.05	0.25
Other Information									
Net foreign exchange (gain) loss	**(7.5)**	**(6.8)**	**(1.1)**	**2.2**	**(1.8)**	**1.9**	**6.2**	1.3	(11.3)
Decrease (increase) in fair value of investments	**2.0**	**0.1**	**(0.1)**	**1.7**	**0.3**	**(0.4)**	**1.5**	(0.6)	0.1

(1) *TTM represents the "trailing twelve months" and consists of a summary of the Corporation's financial results for the most recently completed four quarters.*
(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 second quarter increased by $23.3 million to $319.0 million as compared to $295.7 million in 2018 with acquisitions accounting for $28.4 million of incremental revenue. Revenue in the Trucking/Logistics segment increased by $0.2 million during the quarter of which $2.6 million was due to acquisitions while fuel surcharge revenue decreased by $0.2 million. Excluding acquisitions and the change in fuel surcharge revenue, the Trucking/Logistics segment revenue declined by a modest $2.2 million due to a reduction in freight volumes. Revenue generated by the Oilfield Services segment increased by $23.1 million or 30.1 percent and is mainly attributable to $25.8 million of incremental revenue related to the acquisitions of AECOM ISD and Canadian Hydrovac and improved revenue generated by Premay Pipeline. These increases were partially offset by a decline in drilling activity in the WCSB. Net income in the second quarter of 2019 was $31.7 million, an increase of $17.8 million from the $13.9 million of net income generated in 2018. The $17.8 million increase in net income was mainly attributable to a $9.4 million decrease in income tax expense, an $8.7 million positive variance in net foreign exchange and a $7.1 million increase in OIBDA. These increases were partially offset by a $2.8 million increase in depreciation of right-of-use assets, a $1.9 million increase in loss on disposal of property, plant and equipment, a $0.8 million increase in depreciation of property, plant and equipment and a $0.8 million increase in amortization of intangible assets. As a result, basic earnings per share in the second quarter of 2019 was $0.30, an increase of $0.17, from the $0.13 of earnings per share generated in 2018.

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.

TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 63 of the 2018 MD&A. As at June 30, 2019, other than the $5.0 million of the 2019 Debentures that were subscribed to certain officers and directors of the Corporation, 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 contracts with any related party, other than the $5.0 million of the 2019 Debentures subscribed to certain officers and directors of the Corporation.

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 June 30, 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
  • general economy
  • natural gas and oil drilling and oil sands development
  • changes in the legal framework
• e-commerce and supply chain evolution
• acquisitions
• competition
	• foreign exchange rates
	• investments
	• access to financing
	• reliance on major customers
	• impairment of goodwill or intangible assets
	• credit risk
	• interest rates
		• labour relations
		• cost escalation & fuel costs
		• operations risks & insurance
		• digital infrastructure & cyber security
		• business continuity
		• environmental liability risks
		• weather & seasonality
		• access to parts & key suppliers
		• regulation
		• 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 June 30, 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 June 30, 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 June 30, 2019, the design and operation of our disclosure controls and procedures was effective.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the CEO and CFO, management conducted an evaluation of the effectiveness of its internal control over financial reporting as at June 30, 2019.

Based on this evaluation, the CEO and CFO concluded that as at June 30, 2019, our internal control over financial reporting was effective. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at June 30, 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 for the balance of the year all indicators point to a continuation of the current trends although recent announcements regarding Canadian LNG project sanctioning are clearly positive, as referred to in the Executive Summary section beginning on page 4. This forward-looking statement is based on the assumption that the general economy, while not robust, is expected to continue to show modest gains.

- Mullen Group's comment that the financial results achieved in the recent quarter provide further evidence that the guidance for the full year 2019, as articulated in previous correspondence to shareholders, remains reasonable and attainable, as referred to in the Outlook section beginning on page 6. This forward-looking statement is based on the assumption that the Canadian economy continues to grow at a modest pace in the second half of the year accompanied by some recovery in drilling activity in western Canada, although the recovery in the oil and gas sector of the economy will most likely not be as strong as we anticipated earlier this year.

- Mullen Group's comment that we will also be active in terms of our acquisition strategy, as referred to in the Outlook section beginning on page 6. This forward-looking statement is based on the assumption that we will be able to use our substantial liquidity to pursue acquisition opportunities.

- 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 9. 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 Unit, $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 9 and 46. 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 12) 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 43. 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 pages 21 and 36 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

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

(unaudited) *($ millions)*	**Three month periods ended June 30**		**Six month periods ended June 30**	
	2019	**2018**	**2019**	**2018**
Purchase of property, plant and equipment	**$ 17.4**	$ 18.9	**$ 33.3**	$ 30.7
Proceeds on sale of property, plant and equipment	**(1.1)**	(5.7)	**(2.5)**	(7.5)
Net capital expenditures	**$ 16.3**	$ 13.2	**$ 30.8**	$ 23.2

Net Debt

Net debt is calculated by subtracting total working capital (current assets less current liabilities) from total debt (long-term debt plus the debt component of lease liabilities and the 2019 Debentures). Management calculates net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		June 30, 2019		December 31, 2018
Long-term debt	**$**	**469.6**	$	482.2
Convertible debentures - debt component		**107.6**		—
Lease liabilities (non-current portion)		**32.5**		—
Total debt		**609.7**		482.2
Less working capital:				
Current assets		**362.1**		272.1
Current liabilities		**(113.9)**		(140.4)
Total working capital		**248.2**		131.7
Net debt	**$**	**361.5**	$	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) *($ millions)*		June 30, 2019
Private Placement Debt	**$**	**469.6**
Lease liabilities (including the current portion)		**41.2**
Letters of credit		**4.1**
Total debt		**514.9**
Less: unrealized gain on Cross-Currency Swaps		**(37.4)**
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	**$**	**477.5**

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.

	Three month periods ended June 30				Six month periods ended June 30			
(unaudited) *($ millions, except share and per share amounts)*		2019		2018		2019		2018
Net cash from operating activities	**$**	**45.7**	$	35.9	**$**	**69.9**	$	57.7
Weighted average number of Common Shares outstanding		**104,824,973**		103,774,799		**104,824,973**		103,714,891
Cash flow per share	**$**	**0.44**	$	0.35	**$**	**0.67**	$	0.56

Mullen Group Ltd.

JUNE 30, 2019

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		June 30 2019		December 31 2018
Assets					
Current assets:					
Cash and cash equivalents		**$**	**84,848**	$	3,916
Trade and other receivables	**6**		**214,816**		218,089
Inventory			**35,638**		33,878
Prepaid expenses			**20,488**		11,838
Current tax receivable			**6,321**		4,404
			362,111		272,125
Non-current assets:					
Property, plant and equipment			**959,746**		965,683
Right-of-use assets	**7**		**37,127**		—
Goodwill			**265,277**		265,277
Intangible assets			**43,128**		50,270
Investments			**37,944**		36,269
Deferred tax assets			**8,440**		9,187
Derivative financial instruments	**8**		**37,431**		42,211
Other assets	**9**		**6,963**		4,830
			1,396,056		1,373,727
Total Assets		**$**	**1,758,167**	$	1,645,852
Liabilities and Equity					
Current liabilities:					
Bank indebtedness	**13**	**$**	**—**	$	30,000
Accounts payable and accrued liabilities			**99,428**		99,276
Dividends payable	**10**		**5,241**		5,241
Current tax payable			**519**		5,905
Lease liabilities – current portion	**12**		**8,683**		—
			113,871		140,422
Non-current liabilities:					
Convertible debentures – debt component	**14**		**107,609**		—
Long-term debt	**13**		**469,568**		482,185
Lease liabilities	**12**		**32,558**		—
Asset retirement obligations			**1,052**		1,044
Deferred tax liabilities			**113,723**		124,125
			724,510		607,354
Equity:					
Share capital	**15**		**946,910**		946,910
Convertible debentures – equity component	**14**		**9,116**		—
Contributed surplus			**16,159**		15,477
Deficit			**(52,399)**		(64,311)
			919,786		898,076
Subsequent events	**23**				
Total Liabilities and Equity		**$**	**1,758,167**	$	1,645,852

The notes which begin on page 63 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on July 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) *(thousands, except per share amounts)*	Note	Three month periods ended June 30 2019	 2018	Six month periods ended June 30 2019	 2018
Revenue	**18**	**$ 319,006**	$ 295,682	**$ 638,568**	$ 587,813
Direct operating expenses		**225,936**	210,754	**459,286**	425,104
Selling and administrative expenses		**41,652**	40,599	**83,894**	80,519
Operating income before depreciation and amortization		**51,418**	44,329	**95,388**	82,190
Depreciation of property, plant and equipment		**17,797**	17,037	**35,172**	33,414
Depreciation of right-of-use assets		**2,767**	—	**5,557**	—
Amortization of intangible assets		**4,482**	3,653	**8,908**	7,164
Finance costs		**5,389**	5,242	**10,296**	10,652
Net foreign exchange (gain) loss	**8**	**(6,808)**	1,948	**(7,929)**	8,110
Other (income) expense	**19**	**(207)**	(3,105)	**(248)**	(1,702)
Income before income taxes		**27,998**	19,554	**43,632**	24,552
Income tax (recovery) expense	**11**	**(3,786)**	5,644	**273**	9,161
Net income and total comprehensive income		**$ 31,784**	$ 13,910	**$ 43,359**	$ 15,391
Earnings per share:	**16**				
Basic		**$ 0.30**	$ 0.13	**$ 0.41**	$ 0.15
Diluted		**$ 0.30**	$ 0.13	**$ 0.41**	$ 0.15
Weighted average number of Common Shares outstanding:	**16**				
Basic		**104,825**	103,775	**104,825**	103,715
Diluted		**104,825**	104,645	**104,825**	104,645

The notes which begin on page 63 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	**—**	**—**	**—**	**43,359**	**43,359**
Convertible debentures issued	**—**	**12,403**	**—**	**—**	**12,403**
Deferred tax on convertible debentures	**—**	**(3,287)**	**—**	**—**	**(3,287)**
Stock-based compensation expense	**—**	**—**	**682**	**—**	**682**
Dividends declared to common shareholders	**—**	**—**	**—**	**(31,447)**	**(31,447)**
Balance at June 30, 2019	**$ 946,910**	**$ 9,116**	**$ 16,159**	**$ (52,399)**	**$ 919,786**

(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	—	—	—	15,391	15,391
Common Shares issued on conversion of convertible debentures	11,084	(460)	—	—	10,624
Stock-based compensation expense	—	—	908	—	908
Dividends declared to common shareholders	—	—	—	(31,148)	(31,148)
Balance at June 30, 2018	$ 944,387	$ 90	$ 14,715	$ 26,314	$ 985,506

The notes which begin on page 63 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	Note	Six month periods ended June 30 2019	2018
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 43,359**	$ 15,391
Adjustments for:			
Depreciation and amortization		**49,637**	40,578
Finance costs		**10,296**	10,652
Stock-based compensation expense		**682**	908
Foreign exchange loss (gain) on cross-currency swaps	**8**	**4,780**	(6,157)
Foreign exchange (gain) loss		**(12,303)**	13,720
Change in fair value of investments	**19**	**28**	1,085
Loss (gain) on sale of property, plant and equipment	**19**	**1,419**	(793)
Earnings from equity investments	**19**	**(1,703)**	(2,001)
Accretion on asset retirement obligations	**19**	**8**	7
Income tax expense	**11**	**273**	9,161
Cash flows from operating activities before non-cash working capital items		**96,476**	82,551
Changes in non-cash working capital items from operating activities	**20**	**(6,028)**	(12,258)
Cash generated from operating activities		**90,448**	70,293
Income tax paid		**(20,518)**	(12,680)
Net cash from operating activities		**69,930**	57,613
Cash flows from financing activities:			
Net proceeds of convertible debentures	**14**	**119,817**	—
Cash dividends paid to common shareholders		**(31,447)**	(29,026)
Interest paid		**(10,783)**	(11,483)
Repayment of long-term debt and loans		**—**	(72,848)
Repayment of bank credit facility		**(30,000)**	—
Repayment of lease liabilities	**12**	**(5,853)**	—
Changes in non-cash working capital items from financing activities	**20**	**(95)**	106
Net cash from (used in) financing activities		**41,639**	(113,251)
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(1,470)**	(36,221)
Purchase of intangible assets		**(360)**	—
Purchase of property, plant and equipment		**(33,339)**	(30,713)
Proceeds on sale of property, plant and equipment		**2,467**	7,545
Net investment in finance leases		**630**	—
Interest received		**867**	1,437
Other assets		**71**	(178)
Changes in non-cash working capital items from investing activities	**20**	**903**	1,421
Net cash used in investing activities		**(30,231)**	(56,709)
Change in cash and cash equivalents		**81,338**	(112,347)
Cash and cash equivalents at January 1		**3,916**	134,533
Effect of exchange rate fluctuations on cash held		**(406)**	547
Cash and cash equivalents at June 30		**$ 84,848**	$ 22,733

The notes which begin on page 63 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 ("**TSX**") under the symbol 'MTL'. The Corporation maintains its registered office in Okotoks, Alberta, Canada. The business of Mullen Group is operated through wholly-owned (either directly or indirectly) subsidiaries and limited partnerships ("**Business Units**"). The 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 did not apply any grandfathering practical expedients.

Effective January 1, 2019, Mullen Group adopted IFRS 16 – Leases that resulted in the initial recognition of right-of-use assets and lease liabilities of approximately $42.2 million.

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.

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

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.

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.

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

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.

June 30, 2019 **Financial Instrument**	**Fair Value Hierarchy**		**Carrying Amount**		**Fair Value**
Investments (excluding investments accounted for by using the equity method)	Level 1	$	2,774	$	2,774
Derivative Financial Instruments	Level 2	$	37,431	$	37,431
Private Placement Debt	Level 2	$	469,568	$	392,944
Convertible Debentures – debt component	Level 2	$	107,609	$	107,609

5. Acquisitions

2019 Acquisition

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

Due to the limited time between the closing of these acquisitions and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed are based upon preliminary financial information available to management as of the date of this report and are subject to change.

6. Trade and Other Receivables

		June 30 **2019**		**December 31** **2018**
Trade receivables	**$**	**179,690**	$	190,150
Other receivables		**32,915**		27,289
Net investment in finance leases[(1)]		**1,002**		—
Contract assets		**1,209**		650
	$	**214,816**	$	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)

7. Right-of-Use Assets

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2019[1]	$ 39,462	$ 2,716	$ 42,178
Additions	169	4,767	4,936
Subleases[2]	(3,476)	(20)	(3,496)
Disposals[3]	(939)	—	(939)
Balance at June 30, 2019	35,216	7,463	42,679
Accumulated Depreciation			
Balance at January 1, 2019	—	—	—
Depreciation expense	4,468	1,089	5,557
Disposals	(5)	—	(5)
Balance at June 30, 2019	4,463	1,089	5,552
Net book value at June 30, 2019	**$ 30,753**	**$ 6,374**	**$ 37,127**

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

[2] Includes $3.5 million of net investment in finance leases, which mainly related to subleases on real property.

[3] Includes $0.9 million of lease inducements on real property.

8. 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 six month period ended June 30, 2019, Mullen Group has recorded a net foreign exchange (gain) loss of $(7.9) million (2018 – $8.1 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Foreign Exchange (Gain) Loss	**Six month periods ended June 30**	
	CDN. $ Equivalent	
	2019	**2018**
Foreign exchange (gain) loss on U.S. $ debt	**$ (12,709)**	$ 14,267
Foreign exchange loss (gain) on Cross-Currency Swaps	**4,780**	(6,157)
Net foreign exchange (gain) loss	**$ (7,929)**	$ 8,110

For the six month period ended June 30, 2019, Mullen Group recorded a foreign exchange (gain) loss on U.S. dollar debt of $(12.7) million (2018 - $14.3 million) as summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Six month periods ended June 30**					
	2019			**2018**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – June 30	**229,000**	**1.3087**	299,693	229,000	1.3168	301,548
Beginning – January 1	**229,000**	**1.3642**	312,402	229,000	1.2545	287,281
Foreign exchange (gain) loss on U.S. $ debt			(12,709)			14,267

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

For the six month period ended June 30, 2019, Mullen Group recorded a foreign exchange loss (gain) on its Cross-Currency Swaps of $4.8 million (2018 – $(6.2) 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	Six month periods ended June 30			
	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**	**2,683**	117,000	(3,510)
Cross-Currency Swap maturing October 22, 2026	**112,000**	**2,097**	112,000	(2,647)
Foreign exchange loss (gain) on Cross-Currency Swaps		**4,780**		(6,157)

9. Other Assets

	June 30, 2019	December 31, 2018
Debentures – equity investee	**$ 3,200**	$ 3,200
Promissory notes	**1,004**	1,037
Net investment in finance leases	**2,344**(1)	—
Other	**415**	593
	$ 6,963	$ 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.

10. Dividends Payable

For the six month period ended June 30, 2019, Mullen Group declared monthly dividends of $0.05 per Common Share totalling $0.30 per Common Share (2018 – $0.30 per Common Share). On February 6, 2019, Mullen Group announced its intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2019. At June 30, 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 July 15, 2019. Mullen Group also declared a dividend of $0.05 per Common Share on July 22, 2019, to the holders of record at the close of business on July 31, 2019.

11. 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 June 30		Six month periods ended June 30	
	2019	2018	2019	2018
Income before income taxes	**$ 27,998**	$ 19,554	**$ 43,632**	$ 24,552
Combined statutory tax rate	**27%**	27%	**27%**	27%
Expected income tax	**7,559**	5,279	**11,781**	6,629
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(900)**	263	**(1,051)**	1,095
Non-deductible (taxable) portion of the change in fair value of investments	**20**	(59)	**4**	146
Stock-based compensation expense	**85**	108	**181**	245
Changes in unrecognized deferred tax asset	**(900)**	263	**(1,051)**	1,095
Decrease in income tax due to changes in income tax rates	**(9,399)**	—	**(9,399)**	—
Other	**(251)**	(210)	**(192)**	(49)
Income tax (recovery) expense	**$ (3,786)**	$ 5,644	**$ 273**	$ 9,161

During the second quarter of 2019, the Government of Alberta passed Bill 3, which will reduce the Alberta provincial corporate tax rate from 12.0 percent to 8.0 percent in a phased approach between July 1, 2019 and January 1, 2022. As a result of this change, the Corporation made an adjustment to current and deferred income taxes of $0.2 million and $9.4 million, respectively, which was recorded in the second quarter of 2019. As the tax rate change came into effect on July 1, 2019, the combined federal and provincial statutory income tax rate for 2019 decreased to 26.6 percent.

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

12. Lease Liabilities

		Six month period ended June 30, 2019
Beginning – January 1, 2019	$	**42,178**
Additions		**4,936**
Disposals		**(20)**
Lease payments		**(6,539)**
Interest expense		**686**
Ending balance – June 30, 2019		**41,241**
Less:		
Lease liabilities – current portion		**8,683**
Lease liabilities	$	**32,558**

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:

		June 30, 2019
Twelve months or less	$	**5,727**
2020 – 2021		**18,049**
2022 – 2023		**9,140**
Thereafter		**9,792**
Contractual cash flows	$	**42,708**
Carrying amount	$	**41,241**

Mullen Group's lease liabilities mainly relate to real property leases that are utilized by the Business Units within their operations. Certain Business Units have also entered into leases pertaining to various pieces of operating equipment including rail cars, trucks and trailers. Leases are entered into and terminated when they meet specific business requirements. The Corporation has recognized these lease liabilities, which are measured at the present value of the remaining lease payments at an average incremental borrowing rate of 3.2 percent.

On adoption of IFRS 16 – Leases, the Corporation has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at December 31, 2018, adjusted by commitments in relation to arrangements not containing leases, service contracts, short-term and low-value leases, and discounted using the Corporation's incremental borrowing rate as of January 1, 2019. The associated right-of-use assets were measured at the amount equal to the lease liabilities on January 1, 2019, adjusted by the amount of any lease inducements and subleases relating to the lease 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 six month period ended June 30, 2019, Mullen Group incurred variable lease payments, short-term and low dollar value lease expense of \$2.0 million, \$2.8 million and \$0.03 million, respectively. The Corporation also recognized \$0.03 million of sublease income during the period.

13. 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 credit facility (the "**Bank Credit Facility**"). The amount available to be borrowed on the Bank Credit Facility was increased by \$50.0 million to \$125.0 million. On June 21, 2019, the amount available to be borrowed on the Bank Credit Facility was increased by \$25.0 million to \$150.0 million. 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 June 30, 2019, no amounts were drawn on this facility. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, Mullen Group cannot be in default of its Private Placement Debt and it must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has \$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.

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

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.

Mullen Group's unamortized debt issuance costs of $1.1 million related to its Private Placement Debt have been netted against its carrying value at June 30, 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 Debentures and lease liabilities; and (iv) non-cash charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

The following table summarizes the Corporation's total debt:

		June 30, 2019		December 31, 2018
Current liabilities:				
Private Placement Debt	**$**	**—**	$	—
Lease liabilities – current portion		**8,683**		—
Bank Credit Facility		**—**		30,000
		8,683		30,000
Non-current liabilities:				
Private Placement Debt		**469,568**		482,185
Lease liabilities		**32,558**		—
		502,126		482,185
	$	**510,809**	$	512,185

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

			June 30, 2019		December 31, 2018	
	Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	**$**	$	$
Bank Credit Facility	—	Variable	**—**	**—**	30,000	30,000
Lease liabilities	2019 – 2028	3.20%	**42,708**	**41,241**	—	—
Private Placement Debt	2024 – 2026	3.84% – 4.07%	**470,693**	**469,568**	483,402	482,185
			513,401	**510,809**	513,402	512,185

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

14. Convertible Unsecured Subordinated Debentures

In June 2019, Mullen Group issued convertible unsecured subordinated debentures (the "**2019 Debentures**") at a price of $1,000 per 2019 Debenture. The 2019 Debentures mature on November 30, 2026 and are publicly-traded and listed on the TSX under the symbol 'MTL.DB'. The 2019 Debentures bear interest at a rate of 5.75% per annum, payable semi-annually in arrears on May 31 and November 30 of each year, with the first interest payment on November 30, 2019. The November 30, 2019 interest payment will represent accrued interest from the closing to, but excluding, November 30, 2019. Mullen Group may elect to satisfy its interest obligation on any interest payment date by issuing and delivering, subject to regulatory approval, Common Shares to debenture holders. Each $1,000 2019 Debenture is convertible into 71.4286 Common Shares of Mullen Group (or a conversion price of $14.00) at any time at the option of the holders of the 2019 Debentures. As at the date of issuance, an aggregate of 8,928,575 Common Shares would be issued if all holders converted their principal amount. In the event that a holder of the 2019 Debentures exercises their conversion right, such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the date of the last interest payment to the date of conversion.

The 2019 Debentures shall not be redeemable by the Corporation prior to November 30, 2023. On or after November 30, 2023 and prior to November 30, 2025, the 2019 Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the arithmetic average of the volume weighted average trading price of the Common Shares on the TSX for the 20 consecutive trading days ending five trading days prior to the date on which notice of redemption is provided is at least 125.0 percent of the conversion price. On or after November 30, 2025 and prior to the maturity date, the 2019 Debentures may be redeemed in whole or in part at the option of the Corporation on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest if any, up to but excluding the date set for redemption.

The 2019 Debentures are comprised of both a debt and equity component. The debt component represents the total discounted present value of both the semi-annual interest obligations and the principal payment due at maturity, using the rate of interest that would have been applicable to a non-convertible debt instrument of comparable term and risk at the date of issue. In the event the 2019 Debentures are converted prior to maturity, the difference between the carrying amount of such 2019 Debentures and their face value would be charged to interest expense. The remaining equity component of the 2019 Debentures represents the difference between the face value of the 2019 Debentures (namely, $125.0 million) and the accounting value assigned to the debt component of the 2019 Debentures at the date of issue (namely, $112.6 million). Subject to the impact of the 2019 Debentures being converted, this equity component amount will remain constant over the term of the 2019 Debentures. Upon conversion of the 2019 Debentures into common shares, a proportionate amount of both the debt and equity components are transferred to Shareholders' capital. Accretion and interest expense on the 2019 Debentures are reflected as finance costs in the consolidated statement of comprehensive income.

The transaction costs associated with the 2019 Debentures were $5.2 million and are being amortized over the term of the 2019 Debentures. If the holders of the 2019 Debentures convert the principal portion to Common Shares prior to maturity, the unamortized transaction costs would be expensed at that time.

As subordinated debt, the accounting value assigned to the 2019 Debentures including any related interest expense is excluded from our financial covenant calculations under our Private Placement Debt.

The details of the 2019 Debentures are as follows:

		June 30, 2019		December 31, 2018	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2026	5.75%	**$ 125,000**	**$ 107,609**	$ —	$ —

The cumulative carrying amount of the 2019 Debentures for the periods set forth below is as follows:

	Cumulative as at June 30, 2019
Proceeds from issue of the 2019 Debentures	**$ 125,000**
Debt issuance costs	**(5,183)**
Net proceeds	**119,817**
Amount classified as equity	**(12,403)**
Accretion on debt	**195**
Carrying amount of the 2019 Debentures	**$ 107,609**

On May 1, 2009, Mullen Group issued convertible unsecured subordinated debentures (the "**2009 Debentures**") at a price of $1,000 per 2009 Debenture. The 2009 Debentures matured on July 1, 2018, and were either converted into Common Shares of the Corporation or repaid with cash.

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

15. 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	
	Note	2019	2018
Issued Common Shares at January 1		**104,824,973**	103,654,316
Common Shares issued on conversion of 2009 Debentures	14	**—**	990,725
Issued Common Shares at June 30		**104,824,973**	104,645,041

16. 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 and six month periods ended June 30, 2019, were $31.7 million and $43.3 million (2018 – $13.9 million and $15.4 million), respectively. The weighted average number of Common Shares outstanding for the three and six month periods ended June 30, 2019 and 2018 was calculated as follows:

		Three month periods ended June 30		Six month periods ended June 30	
	Note	2019	2018	2019	2018
Issued Common Shares at beginning of period	15	**104,824,973**	103,654,316	**104,824,973**	103,654,316
Effect of the 2009 Debentures converted	14	**—**	120,483	**—**	60,575
Weighted average number of Common Shares at end of period – basic		**104,824,973**	103,774,799	**104,824,973**	103,714,891

(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 June 30		Six month periods ended June 30	
	2019	2018	2019	2018
Net income	**$ 31,784**	$ 13,910	**$ 43,359**	$ 15,391
Effect on finance costs from conversion of the 2009 Debentures (net of tax)	**—**	26	**—**	26
Net income – adjusted	**$ 31,784**	$ 13,936	**$ 43,359**	$ 15,417

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

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

	Three month periods ended June 30		Six month periods ended June 30	
	2019	**2018**	**2019**	**2018**
Weighted average number of Common Shares – basic	**104,824,973**	103,774,799	**104,824,973**	103,714,891
Effect of "in the money" stock options	**—**	—	**—**	—
Effect of conversion of the 2009 Debentures	**—**	870,242	**—**	930,150
Weighted average number of Common Shares at end of period – diluted	**104,824,973**	104,645,041	**104,824,973**	104,645,041

For the three and six month periods ended June 30, 2019 and June 30, 2018, all stock options outstanding 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 June 30, 2019 and 2018. For the three and six month periods ended June 30, 2019 and 2018, the Common Shares that would be issued upon conversion of the 2019 Debentures and 2009 Debentures were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive.

17. 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)

18. Revenue

Disaggregation of revenue:

The following tables detail Mullen Group's revenue by type of service and timing of the transfer of goods or services by segment:

Six month period ended June 30, 2019	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations	Total
Revenue by service line					
Transportation	**$ 331,210**	**$ 110,799**	**$ —**	**$ —**	**$ 442,009**
Logistics	**62,912**	**2,358**	**—**	**—**	**65,270**
Other[1]	**46,231**	**93,249**	**2,519**	**—**	**141,999**
Eliminations	**(5,547)**	**(1,567)**	**—**	**(3,596)**	**(10,710)**
	$ 434,806	**$ 204,839**	**$ 2,519**	**$ (3,596)**	**$ 638,568**
Timing of revenue recognition					
Over time	**$ 343,069**	**$ 133,870**	**$ 1,267**	**$ —**	**$ 478,206**
Point in time	**97,284**	**72,536**	**1,252**	**—**	**171,072**
Eliminations	**(5,547)**	**(1,567)**	**—**	**(3,596)**	**(10,710)**
	$ 434,806	**$ 204,839**	**$ 2,519**	**$ (3,596)**	**$ 638,568**

[1] Included within other revenue is $18.5 million of rental revenue being recognized in accordance with IAS 17 - Leases with $14.9 million, $2.3 million and $1.3 million recorded in the Oilfield Services segment, the Trucking/Logistics segment and Corporate, respectively.

Six month period ended June 30, 2018	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations	Total
Revenue by service line					
Transportation	$ 328,151	$ 102,273	$ —	$ —	$ 430,424
Logistics	60,822	2,850	—	—	63,672
Other[1]	43,498	56,999	3,376	—	103,873
Eliminations	(5,593)	(806)	—	(3,757)	(10,156)
	$ 426,878	$ 161,316	$ 3,376	$ (3,757)	$ 587,813
Timing of revenue recognition					
Over time	$ 338,230	$ 121,816	$ 2,840	$ —	$ 462,886
Point in time	94,241	40,306	536	—	135,083
Eliminations	(5,593)	(806)	—	(3,757)	(10,156)
	$ 426,878	$ 161,316	$ 3,376	$ (3,757)	$ 587,813

[1] Included within other revenue is $20.5 million of rental revenue being recognized in accordance with IAS 17 - Leases with $15.5 million, $2.8 million and $2.2 million recorded in the Oilfield Services segment, Corporate and the Trucking/Logistics segment, respectively.

19. Other (Income) Expense

	Three month periods ended June 30		Six month periods ended June 30	
	2019	2018	2019	2018
Change in fair value of investments	**$ 149**	$ (430)	**$ 28**	$ 1,085
Loss (gain) on sale of property, plant and equipment	**791**	(1,089)	**1,419**	(793)
Earnings from equity investments	**(1,151)**	(1,590)	**(1,703)**	(2,001)
Accretion on asset retirement obligations	**4**	4	**8**	7
Other (income) expense	**$ (207)**	$ (3,105)	**$ (248)**	$ (1,702)

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

20. Changes in non-cash working capital

	Six month periods ended June 30	
	2019	2018
Trade and other receivables	$ **4,190**	$ (4,065)
Inventory	**(1,760)**	(911)
Prepaid expenses	**(8,623)**	(6,341)
Accounts payable and accrued liabilities	**973**	586
	$ **(5,220)**	$ (10,731)

	Six month periods ended June 30	
	2019	2018
Changes in non-cash working capital items from:		
Operating activities	$ **(6,028)**	$ (12,258)
Financing activities	**(95)**	106
Investing activities	**903**	1,421
	$ **(5,220)**	$ (10,731)

21. 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 June 30, 2019	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**219,591**	**99,823**	**1,869**	**(1,975)**	**(302)**	**319,006**
Income before income taxes	**18,722**	**1,790**	**7,486**	**—**	**—**	**27,998**
Depreciation of property, plant and equipment	**6,423**	**9,836**	**1,538**	**—**	**—**	**17,797**
Amortization of intangible assets	**3,457**	**1,025**	**—**	**—**	**—**	**4,482**
Capital expenditures[(1)]	**12,683**	**4,877**	**1,570**	**(4)**	**(1,655)**	**17,471**
Total assets at June 30, 2019	**629,283**	**481,265**	**647,619**	**—**	**—**	**1,758,167**

[(1)] Excludes business acquisitions

				Intersegment eliminations		
Three month period ended June 30, 2018	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	$	$	$	$	$
Revenue	219,380	76,726	1,829	(1,947)	(306)	295,682
Income (loss) before income taxes	20,103	(308)	(241)	—	—	19,554
Depreciation of property, plant and equipment	5,620	9,845	1,572	—	—	17,037
Amortization of intangible assets	2,943	710	—	—	—	3,653
Capital expenditures[(1)]	16,052	2,368	582	—	(85)	18,917
Total assets at December 31, 2018	573,859	501,857	570,136	—	—	1,645,852

[(1)] Excludes business acquisitions

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

Six month period ended June 30, 2019	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Intersegment eliminations Trucking/ Logistics**	**Intersegment eliminations Oilfield Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**434,806**	**204,839**	**2,519**	**(2,872)**	**(724)**	**638,568**
Income before income taxes	**31,626**	**2,989**	**9,017**	**—**	**—**	**43,632**
Depreciation of property, plant and equipment	**12,595**	**19,523**	**3,054**	**—**	**—**	**35,172**
Amortization of intangible assets	**6,858**	**2,050**	**—**	**—**	**—**	**8,908**
Capital expenditures(1)	**21,535**	**12,479**	**3,145**	**(90)**	**(3,730)**	**33,339**
Total assets at June 30, 2019	**629,283**	**481,265**	**647,619**	**—**	**—**	**1,758,167**

(1) *Excludes business acquisitions*

Six month period ended June 30, 2018	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Intersegment eliminations Trucking/ Logistics**	**Intersegment eliminations Oilfield Services**	**Total**
	$	$	$	$	$	$
Revenue	426,878	161,315	3,377	(3,079)	(678)	587,813
Income (loss) before income taxes	33,062	(859)	(7,651)	—	—	24,552
Depreciation of property, plant and equipment	10,891	19,408	3,115	—	—	33,414
Amortization of intangible assets	5,744	1,420	—	—	—	7,164
Capital expenditures(1)	24,650	6,828	626	(39)	(1,352)	30,713
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.

22. Related Party Disclosures

Related Party Transactions

In June 2019, certain officers and directors of Mullen Group subscribed for $5.0 million of the 2019 Debentures under the same terms and conditions as those issued to unrelated third parties. Other than these $5.0 million of 2019 Debentures, Mullen Group has no contracts with any related party.

23. Subsequent Events

Argus Carriers Ltd./Inter-Urban Delivery Service Ltd.

Argus Carriers Ltd. and Inter-Urban Delivery Service Ltd. – On July 1, 2019, Mullen Group acquired all of the issued and outstanding shares of Argus Carriers Ltd. ("**Argus**") and Inter-Urban Delivery Service Ltd. ("**Inter-Urban**") for total cash consideration of $20.0 million, subject to a working capital adjustment. Both Argus and Inter-Urban provide transportation and logistics services in the Lower Mainland of British Columbia.

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

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

The acquisitions of Argus and Inter-Urban align with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional LTL presence centrally located to serve consumers in large urban centres. Argus and Inter-Urban will be integrated into the operations of Tenold Transportation Ltd., whose financial results are included in the Trucking/Logistics segment. Due to the limited time between these acquisitions and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed upon acquisition were not available to management as of the date of this report.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

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

Sonia Tibbatts, MBA
Lead Director

Greg Bay, CFA
Director

Stephen H. Lockwood, LLB
Director

Christine McGinley, CPA, CA, ICD.D
Director

David E. Mullen
Director

Philip J. Scherman, FCPA, FCA, ICD.D
Director

P. Stephen Clark, FCPA, FCMA, ICD.D
Chief Financial Officer

Richard J. Maloney
Senior Vice President

Joanna K. Scott
Corporate Secretary and
Vice President, Corporate Services

Carson Urlacher, CPA, CA
Corporate Controller

CORPORATE OFFICE

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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

Computershare Trust Company of Canada
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