Mullen Group Ltd.

ANNUAL FINANCIAL REVIEW

2018

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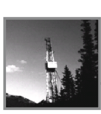


DIVERSITY • STABILITY • RELIABILITY

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated February 6, 2019, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the fiscal year ended December 31, 2018, and should be read in conjunction with the audited annual consolidated financial statements for the fiscal year ended December 31, 2018 (the "**Annual Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information on Mullen Group, including the Annual Information Form dated February 6, 2019, are available on SEDAR at www.sedar.com and at www.mullen-group.com. Such documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Annual Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on February 6, 2019.

ACCOUNTING PRINCIPLES

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

ADVISORY:

Forward-looking statements - *This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are 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 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 84 of this MD&A.*

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

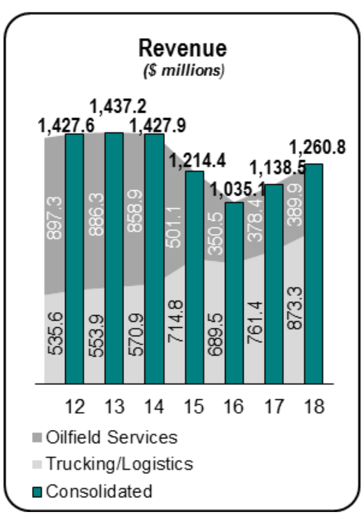
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

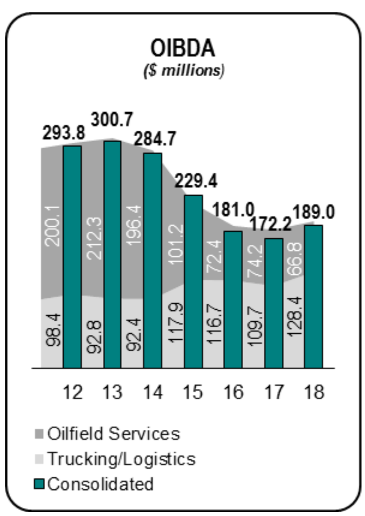
FINANCIAL HIGHLIGHTS – CONSOLIDATED

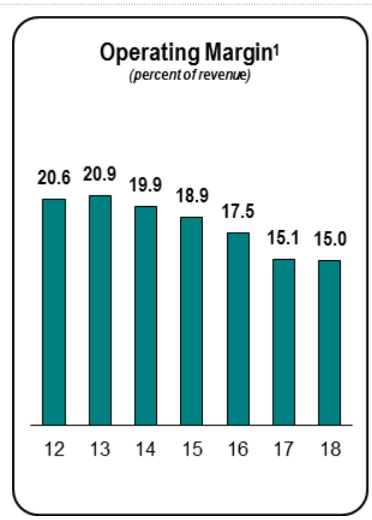
PERFORMANCE:	Years ended December 31					
($ millions, except share price and per share amounts)		**2018**		**2017**		**2016**
Financial Results						
Revenue	**$**	**1,260.8**	$	1,138.5	$	1,035.1
Operating income before depreciation and amortization(1)		**189.0**		172.2		181.0
Operating income before depreciation and amortization – adjusted(2)		**188.7**		180.1		184.4
Net foreign exchange loss (gain)		**8.5**		(21.7)		(5.8)
Decrease in fair value of investments		**3.1**		0.7		(1.7)
Impairment of goodwill		**100.0**		—		—
Net income (loss)		**(43.8)**		65.5		52.0
Net income – adjusted(2)		**62.0**		42.2		46.9
Net cash from operating activities		**140.7**		142.1		174.3
Cash dividends declared		**62.6**		37.3		54.2
Financial Position						
Cash and cash equivalents	**$**	**3.9**	$	134.5	$	270.3
Long-term debt (includes the current portion thereof and the debt component of Debentures)		**512.2**		540.0		695.7
Total assets		**1,645.9**		1,750.7		1,873.0
Share Information						
Cash dividends declared per Common Share	**$**	**0.60**	$	0.36	$	0.56
Earnings (loss) per share – basic	**$**	**(0.42)**	$	0.63	$	0.52
Earnings (loss) per share – diluted	**$**	**(0.42)**	$	0.63	$	0.52
Earnings per share – adjusted(2)	**$**	**0.59**	$	0.41	$	0.47
Share price – December 31	**$**	**12.21**	$	15.74	$	19.83
Other Information						
Net capital expenditures(2)	**$**	**87.5**	$	19.8	$	14.5
Acquisitions	**$**	**45.8**	$	37.9	$	24.6

(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.*

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







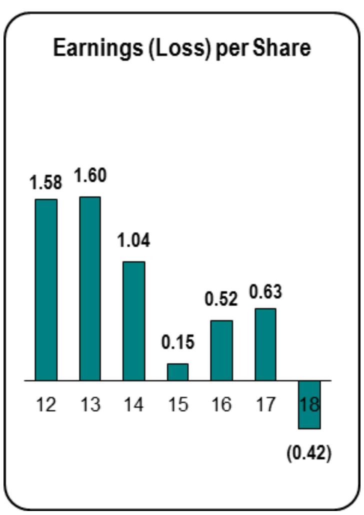
1 Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

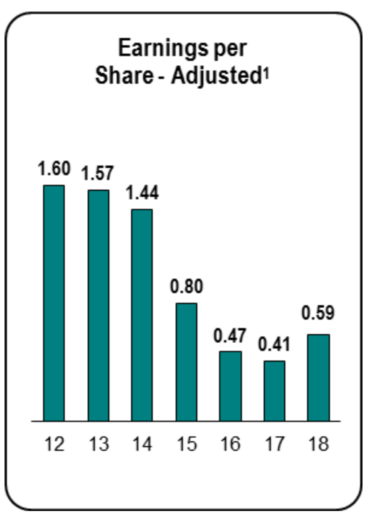
POSITION:

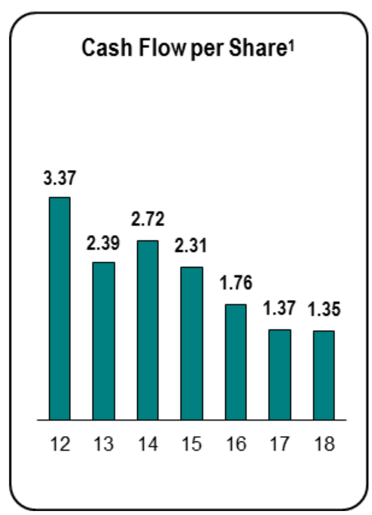
- Goodwill impairment of $100.0 million associated with the prolonged recovery in the oil and natural gas services industry
- Working capital: $131.7 million (includes $30.0 million of amounts drawn on the Bank Credit Facility)
- Increased our Bank Credit Facility by $50.0 million to $125.0 million on October 24, 2018
- Repaid $70.0 million of Series D Notes and settled the remaining Debentures, which matured in 2018 (principal repayments on our remaining Private Placement Debt is scheduled for 2024 and 2026)
- Net debt[1] of $350.5 million, which represents a debt to OIBDA ratio of 1.85:1
- Continued to maintain a well-structured balance sheet with approximately $200.0 million of additional debt capacity

PROGRESS:

- Revenue growth of 10.7 percent on a year over year basis:
  - Record Trucking/Logistics segment results – revenue up 14.7 percent to $873.3 million
  - Oilfield Services segment increased by 3.0 percent to $389.9 million
- OIBDA improved by 9.8 percent from the prior year:
  - Record Trucking/Logistics segment results – OIBDA up 17.0 percent to $128.4 million
  - Oilfield Services segment decreased by 10.0 percent to $66.8 million
- Net income – adjusted[1] increased by 46.9 percent to $62.0 million
- Net capital expenditures[1] increased by $67.7 million to $87.5 million as we continued to expand our real estate holdings (purchased two facilities for $19.3 million, one in Surrey, British Columbia and one in Regina, Saskatchewan) as well as fund growth opportunities within both operating segments
- Continued to invest in growth opportunities by completing five acquisitions for $53.2 million
- Invested $7.4 million (including debentures) to acquire a 40.0 percent interest in Pacific Coast Express Limited, as well as fund growth initiatives for another equity investment, Thrive Management Group Ltd.







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

SEVEN YEAR SELECTED FINANCIAL DATA

Consolidated

Years ended December 31 ($ thousands) (unaudited)	2018 $	2017 $	2016 $	2015 $	2014 $	2013 $	2012 $
Revenue	**1,260,798**	1,138,489	1,035,059	1,214,372	1,427,851	1,437,166	1,427,640
Expenses							
Direct operating expenses	**902,813**	811,378	711,847	844,025	985,163	983,382	983,535
Selling and administrative expenses	**168,970**	154,953	142,179	140,928	157,947	153,101	150,298
Operating income before depreciation and amortization	**189,015**	172,158	181,033	229,419	284,741	300,683	293,807
Operating income before depreciation and amortization - adjusted[1]	**188,666**	180,105	184,455	213,623	282,790	300,156	294,072
Depreciation and amortization	**87,489**	86,570	85,300	94,247	85,161	86,242	83,669
Finance costs	**20,027**	27,499	32,460	35,815	47,370[2]	26,305	32,897
Net foreign exchange loss (gain)	**8,537**	(21,693)	(5,778)	39,701	15,570	16,144	(5,194)
Other (income) expense	**(445)**	(504)	(2,694)	19,289	4,897	(20,710)	5,668
Impairment of goodwill	**100,000**	—	—	—	—	—	3,000
Gain on contingent consideration	**—**	(2,000)	—	(3,000)	—	—	(2,000)
Income (loss) before income taxes	**(26,593)**	82,286	71,745	43,367	131,743	192,702	175,767
Income tax expense	**17,194**	16,777	19,707	30,001	37,110	49,407	44,858
Net income (loss)	**(43,787)**	65,509	52,038	13,366	94,633	143,295	130,909

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

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

Segmented Information

Years ended December 31 ($ thousands) (unaudited)	2018 $	2017 $	2016 $	2015 $	2014 $	2013 $	2012 $
Trucking/Logistics Segment							
Revenue	**873,337**	761,379	689,516	714,844	570,892	553,940	535,562
Direct operating expenses	**637,862**	560,572	487,975	510,779	414,078	400,972	381,027
Selling and administrative expenses	**107,038**	91,145	84,864	86,126	64,410	60,128	56,089
Operating income before depreciation and amortization	**128,437**	109,662	116,677	117,939	92,404	92,840	98,446
Operating margin[1]	**14.7%**	14.4%	16.9%	16.5%	16.2%	16.8%	18.4%
Oilfield Services Segment							
Revenue	**389,934**	378,375	350,506	501,054	858,893	886,296	897,274
Direct operating expenses	**274,085**	257,792	231,863	337,843	578,236	590,964	613,214
Selling and administrative expenses	**49,084**	46,364	46,225	61,977	84,248	83,026	83,910
Operating income before depreciation and amortization	**66,765**	74,219	72,418	101,234	196,409	212,306	200,150
Operating margin[1]	**17.1%**	19.6%	20.7%	20.2%	22.9%	24.0%	22.3%

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

Other Information

Years ended December 31 *($ thousands)* *(unaudited)*	2018*	2017	2016	2015	2014	2013	2012
Ratios – Operating							
Return on equity(1)	3.5%	6.7%	5.9%	1.6%	10.5%	16.6%	17.1%
Gross margin – percentage of revenue(2)	28.4%	28.7%	31.2%	30.5%	31.0%	31.6%	31.1%
Selling and administrative expenses – percentage of revenue	13.4%	13.6%	13.7%	11.6%	11.1%	10.7%	10.5%
Operating margin(3)	15.0%	15.1%	17.5%	18.9%	19.9%	20.9%	20.6%
Operating ratio(4)	92.2%	92.4%	90.7%	90.4%	86.4%	83.7%	85.7%
Financial Position							
Acid test ratio(5)	1.74:1	1.76:1	1.88:1	1:85:1	4.16:1	2.37:1	2.30:1
Property, plant and equipment	$965,683	$916,140	$948,540	$992,206	$911,699	$903,256	$843,318
Total assets	$1,645,852	$1,750,657	$1,873,027	$1,817,035	$1,862,137	$1,587,609	$1,555,904
Long-term debt (including current portion)	$512,185	$539,973	$695,697	$780,901	$704,992	$425,556	$434,058
Equity	$898,076	$989,731	$960,410	$806,644	$900,943	$900,112	$827,125
Debt-to-equity ratio(6)	0.57:1	0.55:1	0.72:1	0.97:1	0.78:1	0.47:1	0.52:1
Net cash from operating activities	$140,710	$142,085	$174,314	$211,572	$248,585	$214,401	$279,854
Share Data							
Net cash from operating activities per share	$1.35	$1.37	$1.76	$2.31	$2.72	$2.39	$3.37
Book value per share(7)	$8.57	$9.55	$9.27	$8.80	$9.83	$9.93	$9.43
Earnings (loss) per share (basic)(8)	$(0.42)	$0.63	$0.52	$0.15	$1.04	$1.60	$1.58
Price/earnings ratio(9)	37.0	25.0	38.1	93.4	20.5	17.7	13.2
Weighted number of shares outstanding (thousands)	104,274	103,654	99,165	91,653	91,377	89,764	82,961
Total shares outstanding (thousands)	104,825	103,654	103,654	91,661	91,611	90,662	87,668

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

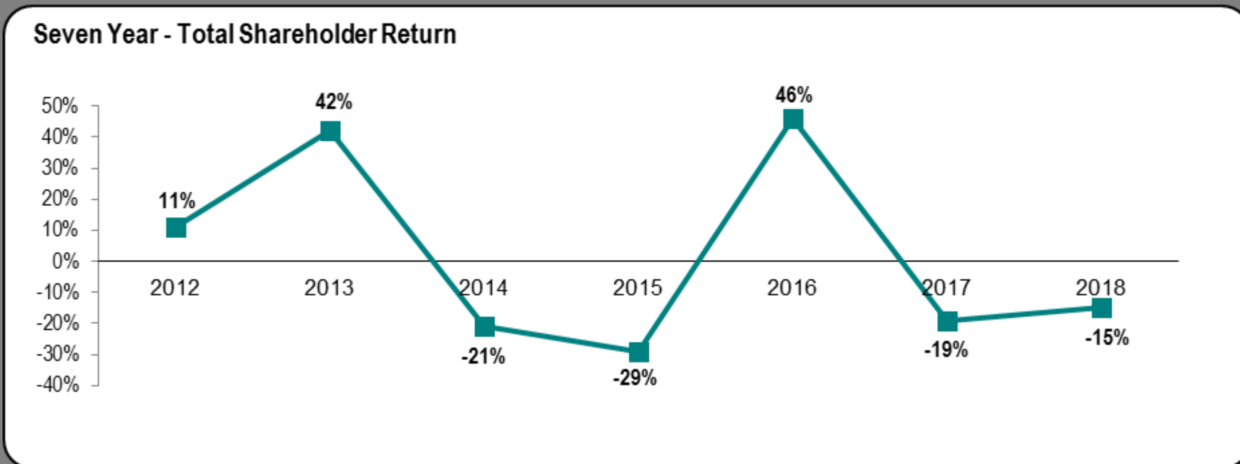
NOTES:

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

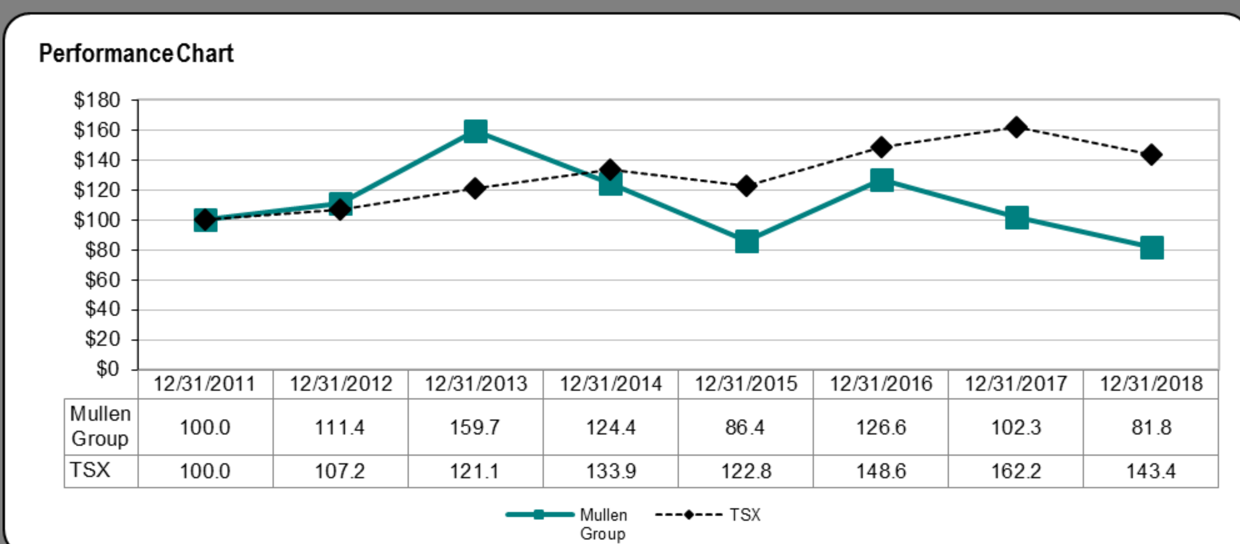
SHAREHOLDER INFORMATION

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

Mullen Group's Total Shareholder Return consists of a combination of its annual dividend and the variance of its share price on an ongoing basis.



The following table and graph illustrate the cumulative return of our Common Shares at the end of each financial year, assuming an initial investment of $100 on December 31, 2011, compared to the S&P/TSX Composite Total Return Index, assuming the reinvestment of all declared dividends and distributions where applicable.



	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Mullen Group	100.0	111.4	159.7	124.4	86.4	126.6	102.3	81.8
TSX	100.0	107.2	121.1	133.9	122.8	148.6	162.2	143.4

EXECUTIVE SUMMARY

We are pleased to report that our fourth quarter results from an operating perspective were up year over year despite some significant challenges associated with the market meltdown in late 2018. We definitely saw the freight demand slow in the quarter as business adjusted to credit tightening. The major impact, however, was felt by our Oilfield Services segment, particularly those Business Units (as hereafter defined on page 11) tied to drilling activity. The swift declines in crude oil pricing along with a "blow-out" in the price for Canadian crude oil virtually brought drilling activity to a halt in the fourth quarter as producers adjusted spending plans to align with cash flow. Overall, however, our financial results from operations were up year over year with consolidated revenue up by 12.6 percent and operating profitability by 12.4 percent, due to acquisitions and the strong performance of a few Business Units.

The most troubling aspect of the fourth quarter market meltdown is the impact that events like this can have on the investment cycle. The oil and natural gas industry is a case in point. The industry, especially here in Canada, has been dealing with a multitude of issues that has restricted the ability of most producers to raise new capital. As such when commodity prices collapse, as they did in the fourth quarter, cash flows are negatively impacted forcing producers to reduce spending and investment decisions. The response this time was fast and will be devastating on the service industry in Canada. It is for this reason that we concluded that several of our Business Units in the Oilfield Services segment would be negatively impacted in 2019, resulting in an impairment of $100.0 million to goodwill, a non-cash event, negatively affecting earnings for the fourth quarter and full year. Decisions like this are never easy, however, it does reiterate that the prospects for the oilfield service industry in Canada are troubling at best. And unfortunately it is not just shareholders that will be impacted. A lot of really dedicated and hardworking people and their families are victims of the slowdown in Canada's oil and natural gas industry.

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 December 31, 2018, are as follows:

- generated consolidated revenue of $333.3 million, an increase of $37.2 million, or 12.6 percent, as compared to $296.1 million in 2017 due to:
    - record fourth quarter revenue in the Trucking/Logistics segment, a $13.1 million increase to $219.7 million
    - an increase of $24.7 million or 27.6 percent in the Oilfield Services segment
- earned consolidated OIBDA of $51.7 million, an increase of $5.7 million as compared to $46.0 million in 2017 due to:
    - record fourth quarter OIBDA of $33.2 million in the Trucking/Logistics segment
    - an increase of $5.4 million or 35.1 percent in the Oilfield Services segment
    - a $1.7 million increase in Corporate Office (as hereafter defined on page 13) costs mainly due to higher salaries
- adjusting for the impact of foreign exchange at Corporate Office, operating income before depreciation and amortization ("**OIBDA – adjusted**")[1] was $51.5 million, or 15.5 percent of revenue, as compared to $45.9 million, or 15.5 percent of revenue, in 2017. These results more accurately reflect our operating performance.

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

Fourth Quarter Financial Results

Revenue increased by $37.2 million, or 12.6 percent, to $333.3 million and is summarized as follows:

- Trucking/Logistics segment grew by $13.1 million, or 6.3 percent, to $219.7 million – a record compared to any previous fourth quarter period. Incremental revenue from acquisitions was $7.9 million while fuel surcharge revenue rose by $5.2 million. Growth resulted from a combination of rate increases achieved earlier in the year and from increased demand in western Canada for both less-than-truckload ("**LTL**") and truckload services.

- Oilfield Services segment increased by $24.7 million, or 27.6 percent – growth resulted from $21.3 million of incremental revenue from acquisitions and from greater demand for large diameter pipeline hauling and stringing and dewatering services. These increase were partially offset by a decline in drilling activity which resulted in revenue declines by those Business Units providing drilling related services.

OIBDA increased by $5.7 million, or 12.4 percent, to $51.7 million and is summarized as follows:

- Trucking/Logistics segment grew by $2.0 million, or 6.4 percent, to $33.2 million – a record compared to any previous fourth quarter period. Our LTL Business Units accounted for $1.8 million of this increase while acquisitions accounted for $0.9 million of incremental growth. As a percentage of revenue, operating margin[1] remained consistent at 15.1 percent due to rate increases secured earlier in the year that more than offset the rise in inflationary costs and lower margin generated by acquisitions.

- Oilfield Services segment up by $5.4 million to $20.8 million – production services Business Units improved by $4.3 million led by the acquisition of the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") while specialized services increased by $4.2 million mainly due to greater demand for large diameter pipeline hauling and stringing and dewatering services. These increases were partially offset by those Business Units tied to drilling related activity. Operating margin[1] increased to 18.2 percent from 17.2 percent in 2017 and was mainly due to the synergies achieved from the integration efforts on the AECOM ISD acquisition and from a greater proportion of higher margin business. These improvements were somewhat offset by inflationary pressures resulting in higher direct operating expenses including wages and fuel.

Net income decreased by $86.5 million to $(81.1) million, or $(0.77) per Common Share due to:

- A $100.0 million impairment of goodwill recorded by certain Business Units within the Oilfield Services segment due to the significant deterioration of industry conditions in the fourth quarter of 2018, a $2.3 million negative variance in the fair value of investments and a $1.1 million increase in amortization of intangible assets.

- The above was 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.

Net income – adjusted[1] increased by 119.5 percent to $16.9 million, or $0.16 per Common Share.

Year End Financial Results

Revenue increased by $122.3 million, or 10.7 percent, to $1,260.8 million and is summarized as follows:

- Trucking/Logistics segment grew by $111.9 million, or 14.7 percent, to $873.3 million – a record compared to any previous year. Incremental revenue from acquisitions was $43.6 million while fuel surcharge revenue rose by $23.5 million. Growth resulted from increased demand for freight services in western Canada for both LTL and truckload services and from rate increases achieved earlier in the year due to tightness in the supply chain.

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

- Oilfield Services segment increased by $11.5 million, or 3.0 percent – incremental revenue from acquisitions was $43.9 million which was partially offset by $20.2 million of lower revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as a result of new competition in the handling of storage of oilfield pipe. Revenue decreased by $7.2 million from pipeline hauling and stringing services and there was also lower demand for specialized heavy haul transportation services and from a reduction in demand for pumps and water management services.

OIBDA increased by $16.8 million, or 9.8 percent, to $189.0 million and is summarized as follows:

- Trucking/Logistics segment grew by $18.7 million, or 17.0 percent, to $128.4 million – a record compared to any previous year. Our LTL Business Units accounted for $7.4 million of this increase while acquisitions accounted for $4.4 million of incremental growth. As a percentage of revenue, operating margin[1] increased slightly by 0.3 percent to 14.7 percent due to the effect of rate increases and tightening industry capacity which was somewhat offset by lower margins generated by our recent asset light acquisitions.

- Oilfield Services segment down by $7.4 million to $66.8 million – drilling related services Business Units declined by $11.1 million due to reduced activity levels while our specialized services Business Units decreased by $2.7 million mainly due to lower demand for large diameter pipeline hauling and stringing services. These decreases were partially offset by the incremental OIBDA generated by our recent acquisitions. Operating margin[1] decreased to 17.1 percent from 19.6 percent in 2017 due to higher direct operating expenses related to wages, fuel, contractors, and repairs and maintenance. Selling and administrative expenses increased slightly as a percentage of segment revenue.

Net income decreased by $109.3 million to $(43.8) million, or $(0.42) per Common Share due to:

- A $100.0 million impairment of goodwill recorded by certain Business Units within the Oilfield Services segment due to the significant deterioration of industry conditions in the fourth quarter of 2018, a $30.2 million negative variance in net foreign exchange, a $4.2 million increase in amortization of intangible assets and a $2.4 million negative variance in the fair value of investments.

- The above was partially offset by a $16.8 million increase in OIBDA, a $7.5 million decrease in finance costs and a $3.3 million decrease in depreciation of property, plant and equipment.

Net income – adjusted[1] increased by 46.9 percent to $62.0 million, or $0.59 per Common Share.

<u>Financial Position</u>

The following summarizes our financial position as at December 31, 2018, along with some of the key changes that occurred during the fourth quarter of 2018:

- Increased the borrowing capacity on our Bank Credit Facility (as hereafter defined on page 18) by $50.0 million to $125.0 million.

- Exited the fourth quarter with working capital of $131.7 million, which included $30.0 million of borrowings on our Bank Credit Facility.

- Total net debt[1] ($474.1 million) to operating cash flow ($192.8 million) (as hereafter defined on page 42) of 2.46:1 as defined per our Private Placement Debt (as hereafter defined on page 24) agreement.

- Total net debt[1] increased by $7.7 million to $474.1 million (September 30, 2018 - $466.4 million) mainly due to the $16.0 million foreign exchange loss on our U.S. $229.0 million debt.

- The value of our Cross-Currency Swaps (as hereafter defined on page 24) increased by $13.8 million to $42.2 million (September 30, 2018 – $28.4 million), which swaps the principal portion of our U.S. $229.0 million debt to a Canadian currency equivalent of $254.1 million.

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

Business Plan and Dividend for 2019

We are taking a reasonably constructive view in our outlook and business plan for 2019. We have a well-structured balance sheet, a diversified portfolio of Business Units distributed across Canada and we are seeing competitors, especially in western Canada, forced out of business. The general economy, while not robust, is expected to show modest gains. Unfortunately, the oil and natural gas sector of the economy, especially drilling activity in western Canada, will underperform for at least the first half of the year. It is for these reasons that on balance we believe 2019 will be a good year for the Mullen Group. And because of our business model we have the good fortune of being able to wait for a rebound in drilling activity along with gaining market share as our competition struggles.

Our 2019 Plan

We will:

1. Continue to invest in the strength of our business: people, Business Units and technology. The capital budget is set at $75.0 million, exclusive of acquisitions.
2. Continue to return free cash to shareholders, maintaining our annual dividend at $0.60 per share.

We have established the following financial goals:

1. Generate consolidated revenue of $1.3 billion.
2. Achieve operating earnings of $200.0 million[1], with volatility based on how the oil and natural gas sector ultimately performs.

To support these goals, we will focus on the following initiatives:

1. Integrate and streamline recent acquisitions.
2. Increase efficiencies, reduce costs and increase margin through technology and streamlining of business processes.
3. Invest in technology, like Moveitonline®, that can change the way we do business.
4. Pursue acquisitions that can make a difference to our business.

OUTLOOK

There are ample reasons to believe that 2019 could be a challenging year based upon the concerns related to the recent market meltdown, most notably for the oil and natural gas sector of the economy, which has clearly entered another downturn.

Nevertheless, on balance we view 2019 will provide opportunity for those businesses that are diversified and have a well-structured balance sheet. We believe that the fundamentals associated with the strong employment numbers, continued government spending, including a willingness to deficit finance, along with growth in the world economy, and more importantly the U.S. economy, will provide sufficient stimulus to keep the Canadian economy growing modestly. As such we expect our Trucking/Logistics segment to have another solid year.

The outlook for our Oilfield Services segment is uncertain at this time given the near-term cash flow challenges the oil and natural gas producers are facing. Drilling programs and capital investment will be curtailed at least for the first half of 2019. However, with the recent increase in crude oil and the narrowing of Canadian crude oil differentials, the potential exists for stronger activity levels as the year unfolds.

It is our belief that our business model is diversified enough to withstand the volatility of the oilfield services sector. Our balance sheet is well-structured with no scheduled maturities until 2024. And we are exceptionally well-positioned to capitalize as others falter, a virtual certainty in the current oil and gas service industry.

[1] Based on 2018 IFRS, prior to the adoption of IFRS 16.

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.

Objective – Maximize Shareholder Value

We strive to maximize the overall returns to shareholders by focusing on the following strategies:

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

Focused Growth

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

- Deploy capital to expand business over the long-term.
- Invest in sectors of the economy where we believe future growth opportunities exist.
- Invest in accretive acquisitions – acquire competing, complementary or new business lines that can accelerate growth over the long-term.
- Diversify – continue to grow and invest where opportunities exist in the two segments of the economy where we have strong market penetration and customer relationships, namely, the transportation and distribution of freight within North America and the oil and natural gas services industry.

Since going public in 1993, Mullen Group, and its predecessors the Mullen Group Income Fund and Mullen Transportation Inc., have grown annual revenues from $72.6 million in 1993 to approximately $1.3 billion in 2018. During this period over 66 acquisitions have been completed.

Return Free Cash to Shareholders

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

During 2018 we paid annual dividends of $0.60 ($0.05 paid per month) per Common Share. In 2017 we paid annual dividends of $0.36 per Common Share. 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, subject to the Board approval. Since going public in 1993, we have distributed over $1.2 billion in cash dividends and distributions to our shareholders.

Maintain a Well-Structured Balance Sheet

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

We generated $140.7 million in net cash from operating activities (2017 – $142.1 million). At December 31, 2018, we had $131.7 million of working capital (2017 – $181.6 million), including $30.0 million of funds drawn on our $125.0 million Bank Credit Facility (as hereafter defined on page 18), a debt-to-equity ratio of 0.57:1 (2017 – 0.55:1) and a total net debt[1] to operating cash flow of 2.46:1 (2017 – 2.40:1). Our total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables the Corporation to include the trailing twelve months operating cash flows for acquisitions. We have not included the trailing twelve months of operating cash flows from our most recent acquisitions in our calculations.

Strive for Operational Excellence

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

Operate a Decentralized Business Model

We have two operating segments and operate a decentralized business model that is non-hierarchical in nature. Each Business Unit is held accountable for its own performance and results. The management and employees of the Business Units are remunerated based upon the performance of their respective business. Corporate Office (as hereafter defined on page 13) provides overall support to the Business Units by coordinating business strategies, monitoring financial and business performance and providing shared services on an as-needed basis. In addition, the Corporate Office has invested significantly in real estate holdings and operating facilities, mainly for use by the Business Units. The carrying costs of such holdings at December 31, 2018, was $552.7 million (2017 – $527.7 million).

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

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

Business

The business 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, 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 December 31, 2018, the Trucking/Logistics segment consisted of 15 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:

		Number of Units		
Business Unit	**Primary Service Provided**	**Power Units**	**Trailers**	**Other***
Bernard Transport Ltd.[(1)]	Regional Scheduled LTL - Northern Alberta	18	43	13
Caneda Transport Ltd.	LTL & Irregular Route Truckload - Canada/U.S.	60	87	5
Cascade Carriers L.P.	Dry Bulk Freight – Western Canada	100	472	14
Courtesy Freight Systems Ltd.	Regional Scheduled LTL - Northern Ontario	50	45	25
DWS Logistics Inc.[(2)]	Value-Added Warehousing and Distribution Services	—	—	71
Gardewine Group Limited Partnership[(3)]	Regional Scheduled LTL - Manitoba and Ontario & Specialized Transportation	829	1,601	242
Grimshaw Trucking L.P.	Regional Scheduled LTL - Northern Alberta	140	353	50
Hi-Way 9 Group of Companies[(1) (4)]	Regional Scheduled LTL - Southern Alberta	283	593	66
Jay's Transportation Group Ltd.	Regional Scheduled LTL - Saskatchewan	213	404	143
Kleysen Group Ltd.	Irregular Route Truckload & Multi-Modal	260	867	786
Mullen Trucking Corp.[(5)]	Irregular Route Truckload & Specialized Transportation	133	368	34
Payne Transportation Ltd.[(6)]	Irregular Route Truckload & Specialized Transportation	158	252	9
RDK Transportation Co. Inc.[(7)]	Irregular Route Truckload & Specialized Transportation	91	119	4
Smook Contractors Ltd.	Civil Construction - Northern Manitoba	42	71	118
Tenold Transportation Ltd.[(8)]	Irregular Route Truckload	139	77	35

* *Other includes miscellaneous equipment such as: pick-ups, earthmoving equipment, yard equipment, rail cars and containers.*
(1) *On January 1, 2019, the operations of Bernard Transport Ltd. were combined into the Hi-Way 9 Group of Companies.*
(2) *Acquired February 9, 2018.*
(3) *Includes S. Krulicki & Sons Ltd., operating as Winnipeg Moving & Storage and Brandon Moving, which was acquired on October 1, 2017.*
(4) *Includes Golden Transport Ltd. and Dacota Freight Services Ltd., which were acquired on August 1, 2017 and April 6, 2018, respectively.*
(5) *Includes Marshall Trucking Inc., which was acquired on November 1, 2017.*
(6) *Includes Kel-West Carriers Ltd., which was acquired on January 31, 2017.*
(7) *Acquired September 1, 2017.*
(8) *Includes the business and assets contributed to Number 8 Freight Ltd., which were acquired on August 1, 2018.*

At December 31, 2018, the 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:

		Number of Units		
Business Unit	**Primary Service Provided**	**Power Units**	**Trailers**	**Other***
Production Services				
Cascade Energy Services L.P.(1)	Fluid Transportation - British Columbia & Alberta	367	454	102
E-Can Oilfield Services L.P.(1)	Fluid Transportation - Heavy Oil Regions of Alberta	222	154	58
Heavy Crude Hauling L.P.(1)	Fluid Transportation - Heavy Oil Regions of Alberta	129	103	25
R. E. Line Trucking (Coleville) Ltd.	Fluid Transportation - Saskatchewan	45	70	9
Spearing Service L.P.	Fluid Transportation - Saskatchewan	248	597	58
Specialized Services				
Canadian Dewatering L.P.	Water Management Services	1	47	1,571
Canadian Hydrovac Ltd.(2)	Hydrovac Excavation Services	40	4	11
Premay Equipment L.P.	Specialized Heavy Haul	51	326	50
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation	80	212	65
Recon Utility Search L.P.	Hydrovac Excavation Services	17	5	13
Drilling Services				
OK Drilling Services L.P.	Conductor Pipe Setting	11	21	25
TREO Drilling Services L.P.	Core Drilling	31	77	65
Drilling Related Services				
Envolve Energy Services Corp.(3)	Processing and Disposal of Oilfield Fluids	—	—	—
Formula Powell L.P.	Mud / Fluid Transportation & Warehousing	110	582	121
Mullen Oilfield Services L.P.	Rig Relocation Services	165	315	52
Pe Ben Oilfield Services L.P.	Drill Pipe Transportation & Warehousing	28	148	92
Withers L.P.	Drill Pipe Transportation & Warehousing	41	70	38

* *Other includes miscellaneous equipment such as: pick-ups, mounted dri-prime diesel pumps, submersible pumps, earthmoving equipment, yard equipment and containers.*
(1) *Includes a portion of AECOM's Canadian Industrial Services Division, which was acquired on June 25, 2018.*
(2) *Acquired on July 1, 2018.*
(3) *Acquired March 17, 2017, and operates one disposal facility in the Grande Prairie, Alberta region.*

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.

Human Resources

As at December 31, 2018, approximately 6,400 people were employed or engaged by the Business Units and at Corporate Office. These people include owner operators and dedicated subcontractors engaged by the Business Units. This compares to approximately 5,700 people in 2017. This increase is mainly due to the additional employees added by virtue of the acquisitions completed in 2018.

Capital Allocations

Dividends

In 2018 we declared monthly dividends of $0.05 per Common Share totalling $0.60 per Common Share (2017 – $0.36 per Common Share). At December 31, 2018, we had 104,824,973 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2017 – $3.1 million), which was paid on January 15, 2019. On January 22, 2019, the Board declared a monthly dividend of $0.05 per Common Share to be paid on February 15, 2019 to the holders of record at the close of business on January 31, 2019. 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. The Board will continue to consider the amount of and the record date for the monthly dividend.

Capital Expenditures

In 2018 gross capital expenditures on a consolidated basis were $99.7 million as compared to $33.1 million in 2017. These capital expenditures were comprised of $52.0 million in the Trucking/Logistics segment (2017 – $23.4 million), $29.0 million in the Oilfield Services segment (2017 – $8.5 million) and $20.6 million in the Corporate Office (2017 – $2.7 million). The $66.6 million increase in gross capital expenditures was due to a greater amount of capital being invested into both operating segments as well as expanding our real estate holdings within the Corporate Office. Gross capital expenditures in the Trucking/Logistics segment mainly consisted of the purchase of trucks and trailers to support new opportunities, strong customer demand and to modernize the fleet. Gross capital expenditures in the Oilfield Services segment mainly consisted of capital investments made to support growth opportunities at Envolve Energy Services Corp. ("**Envolve**") and to purchase hydrovac equipment to restructure Canadian Hydrovac Ltd.'s ("**Canadian Hydrovac**") balance sheet. Gross dispositions on a consolidated basis were $12.2 million in 2018 as compared to $13.3 million in 2017. These gross dispositions were comprised of $3.5 million in the Trucking/Logistics segment (2017 – $3.0 million), $10.6 million in the Oilfield Services segment (2017 – $11.1 million) and nil in the Corporate Office (2017 – $0.6 million). In 2018 we continued with the sale of older equipment. In addition, we expanded our real estate holdings with the purchase of a leased facility in Surrey, British Columbia, utilized by Canadian Dewatering L.P. ("**Canadian Dewatering**"), for $9.8 million. This purchase will reduce our operating lease costs by $0.4 million per annum and protect Canadian Dewatering from any further escalation in lease costs. MT also purchased land and buildings in Regina, Saskatchewan for $9.5 million to support the future expansion of our LTL operations in that province. The total cost of real property owned by Mullen Group is $552.7 million.

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.

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 Annual Financial Statements from the date of acquisition.

2018

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

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

AECOM's Canadian Industrial Services Division – On June 25, 2018, we acquired the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") for cash consideration of $25.9 million. We acquired the business and assets of AECOM ISD as part of our strategy to invest in the energy sector. AECOM ISD provides specialized oilfield services and operates largely within the heavy oil and oil sands regions of Alberta. As part of the transaction, Mullen Group hired approximately 350 people and purchased in excess of 250 pieces of specialized equipment including: pressure trucks, hydrovacs, vacuum trucks, combo units, flushby units, fluid hauling equipment and various other pieces of support equipment. AECOM ISD service offerings are complementary to Mullen Group's Oilfield Services segment and it has been integrated into the operations of Cascade Energy Services L.P. ("**Cascade Energy**"), 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 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 consolidated statement of cash flows, which consists of $9.9 million of total cash consideration less $5.3 million allocated to the repayment of long-term debt. Canadian Hydrovac is headquartered in Sherwood Park, Alberta, in the heart of the refinery complex of the greater Edmonton region and Alberta's Industrial Heartland and operates a fleet of approximately 50 pieces of specialized equipment including: hydrovacs, vacuum trucks, combo units and various other pieces of support equipment. Canadian Hydrovac is an industry leader in providing hydrovac services to the midstream, pipeline, construction and municipal sectors of western Canada. We acquired Canadian Hydrovac as part of our strategy to invest in the energy sector. The results from Canadian Hydrovac's operations are included in the Oilfield Services segment.

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

Intangible Assets

In the fourth quarter, Gardewine Group Limited Partnership ("**Gardewine**") purchased the 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.

2017

Kel-West Carriers Ltd. – On January 31, 2017, we acquired all of the issued and outstanding shares of Kel-West Carriers Ltd. ("**Kel-West**") for cash consideration of $3.7 million. Kel-West is headquartered in Kelowna, British Columbia and provides transportation and logistics services primarily in western Canada. We acquired Kel-West as part of our strategy to invest in the transportation sector in western Canada. Kel-West has been integrated into the operations of Payne Transportation Ltd., whose financial results are included in the Trucking/Logistics segment.

Envolve Energy Services Corp. – On April 10, 2015, we acquired approximately 38.0 percent of the issued and outstanding shares of Envolve for $5.0 million. We used the equity method to account for this investment and recognized $1.1 million of earnings from April 10, 2015 until March 17, 2017. On March 17, 2017, we acquired all of the remaining issued and outstanding shares of Envolve for cash consideration of $12.6 million. We recorded $11.9 million of cash used to acquire Envolve in our consolidated statement of cash flows, which consists of $12.6 million of cash consideration paid on closing net of $0.7 million of cash acquired. The fair value of Envolve was $20.3 million on the date control was obtained resulting in a $1.5 million gain on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. Envolve is an oilfield fluid processing and disposal company operating in the Grande Prairie, Alberta region. We acquired Envolve as part of our strategy to invest in the energy sector. The results from Envolve's operations are included in the Oilfield Services segment.

Golden Transport Ltd. – On August 1, 2017, we acquired all of the issued and outstanding shares of Golden Transport Ltd. ("**Golden**") for cash consideration of $1.6 million. Golden is headquartered in Golden, British Columbia and provides transportation and logistics services primarily in western Canada. We acquired Golden as part of our strategy to invest in the transportation sector in western Canada. Golden has been integrated into the operations of Hi-Way 9, whose financial results are included in the Trucking/Logistics segment.

RDK Transportation Co. Inc. – On September 1, 2017, we acquired all of the issued and outstanding shares of RDK Transportation Co. Inc. ("**RDK**") for cash consideration of $13.2 million, which includes the Saskatoon, Saskatchewan facility operated by RDK. We recorded $13.0 million of cash used to acquire RDK on our consolidated statement of cash flows, which consists of $13.2 million of total cash consideration less $0.2 million allocated to the repayment of shareholder loans. RDK is headquartered in Saskatoon, Saskatchewan and provides transportation and logistics services throughout Canada and the continental United States. We acquired RDK as part of our strategy to invest in the transportation sector in Canada and the United States. The financial results from RDK's operations are included in the Trucking/Logistics segment.

S. Krulicki & Sons Ltd. – On October 1, 2017, we acquired all of the issued and outstanding shares of S. Krulicki & Sons Ltd., which operates under the brand names of Winnipeg Moving & Storage and Brandon Moving among others (collectively, "**Winnipeg Moving**") for cash consideration of $6.0 million, which includes the Winnipeg, Manitoba facility operated by Winnipeg Moving. Winnipeg Moving is a privately held company headquartered in Winnipeg, Manitoba that specializes in local, long distance and international residential and commercial moves. We acquired Winnipeg Moving as part of our strategy to invest in the transportation sector in Canada. Winnipeg Moving has been integrated into the operations of Gardewine, whose financial results are included in the Trucking/Logistics segment.

Marshall Trucking Inc. – On November 1, 2017, we acquired all of the issued and outstanding shares of Marshall Trucking Inc. ("**Marshall**") for cash consideration of $10.1 million. We recorded $1.7 million of cash used to acquire Marshall on our consolidated statement of cash flows, which consists of $10.1 million of total cash consideration net of $0.3 million of cash acquired and $8.1 million allocated to the repayment of shareholder loans. Marshall is headquartered in Calgary, Alberta and provides transportation and logistics services primarily in western Canada. We acquired Marshall as part of our strategy to invest in the transportation sector in western Canada. Marshall has been integrated into the operations of Mullen Trucking Corp., whose financial results are included in the Trucking/Logistics segment.

Bank Credit Facility Amendment

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

Repayment of Private Placement Debt

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

On September 27, 2017, we used cash to repay U.S. $85.0 million of Series E Notes and $20.0 million of Series F Notes. The Series E and Series F Notes matured on September 27, 2017. The repayment of the Series E and Series F Notes reduced our annual interest obligation by approximately $7.5 million when using an average Canadian to U.S. dollar exchange rate of $1.2855. Prior to the repayment of the Series E and Series F Notes, the weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt was 4.43 percent and 4.58 percent, respectively. The weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt after repaying the Series E and Series F Notes was 3.89 percent and 4.51 percent, respectively.

Convertible Unsecured Subordinated Debentures

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

Equity Investments

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

On September 27, 2017, we invested $0.2 million to acquire a 30.0 percent equity interest in Thrive Fluid Management Corp., a fluid management company operating in the Grande Prairie, Alberta region. On December 31, 2018, Thrive Fluid Management Corp. changed its name to Thrive Management Group Ltd. ("**Thrive**"). 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 $10.5 million of debenture agreements with Thrive. At December 31, 2018, there was $8.9 million drawn on these debentures.

Investments

We periodically invest in certain public corporations. In 2018 we did not purchase or sell any investments. In 2017 we purchased $0.5 million of investments related to Trakopolis IoT Corp. ("**Trakopolis**") and there were no investments sold.

2018 CONSOLIDATED FINANCIAL RESULTS

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 under long-term operating leases ("**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**").*

One of the key elements of our strategy is to focus on investing in the trucking and logistics sector of the economy, which is more closely linked with consumer spending and gross domestic product ("**GDP**"), primarily due to our concerns related to the oil and natural gas industry in western Canada. Over the past seven years, we have transitioned our Trucking/Logistics segment as the dominant contributor, growing from 35.0 percent of consolidated revenue in 2011 to nearly 70.0 percent in 2018.

Revenue grew in 2018 to $1.26 billion, up $122.3 million, or 10.7 percent over 2017.

- The Trucking/Logistics segment had another record year with revenue up by $111.9 million year over year.
- The Oilfield Services segment grew by $11.5 million in spite of the challenging year for the oil and natural gas industry.

There were a number of positive factors that influenced our results in 2018, the most notable being:

- an increase in demand for North American freight services;
- the completion of a series of acquisitions[1], which contributed $89.4 million of incremental revenue comprised of $45.8 million in the Oilfield Services segment and $43.6 million in the Trucking/Logistics segment;
- the successful integration of AECOM ISD into three of our Business Units;
- the continued growth at Envolve; and
- fuel surcharge revenue, excluding the effects of acquisitions, increased by $26.0 million to $92.8 million as compared to $66.8 million in 2017.

These positive factors were offset by lower than anticipated drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**") and wide differentials for Canadian oil. Aggravating the low price environment was the uncertainty surrounding takeaway capacity that plagued producers in the WCSB resulting in dramatically lower drilling activity in the fourth quarter. More specifically, our results were impacted by:

- the loss of market share in the pipe handling business that resulted in a $20.2 million decline in revenue generated by those Business Units providing drilling and drilling related services;
- a $12.2 million revenue decline experienced by Smook Contractors Ltd. ("**Smook**") due to the timing of certain projects; and
- the delay of large diameter pipeline construction projects that resulted in a $7.2 million decline in revenue at Premay Pipeline Hauling L.P. ("**Premay Pipeline**").

[1] Envolve Energy Services Corp. (March 17, 2017), Golden Transport Ltd. (August 1, 2017), RDK Transportation Co. Inc. (September 1, 2017), S. Krulicki & Sons Ltd. operating as Winnipeg Moving & Storage (October 1, 2017), Marshall Trucking Inc. (November 1, 2017), DWS Logistics Inc. (February 9, 2018), Dacota Freight Services Ltd. (April 1, 2018), AECOM's Canadian Industrial Services Division (June 25, 2018), Canadian Hydrovac Ltd. (July 1, 2018) and 1007474 B.C. Ltd. doing business as Number 8 Freight (August 1, 2018).

Consolidated Revenue by Segment **Years ended December 31** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**873.3**	**69.1**	761.4	66.8	111.9	14.7
Oilfield Services	**389.9**	**30.9**	378.4	33.2	11.5	3.0
Corporate and intersegment eliminations	**(2.4)**	**—**	(1.3)	—	(1.1)	—
Total	**1,260.8**	**100.0**	1,138.5	100.0	122.3	10.7

**as a percentage of pre-consolidated revenue*

Mullen Group's consolidated revenue in 2018 increased by $122.3 million, or 10.7 percent, to $1,260.8 million as compared to $1,138.5 million in 2017. This increase in revenue was primarily due to acquisitions that contributed $89.4 million of incremental revenue to both segments. Revenue increased by $7.2 million, $22.1 million, $55.8 million and $37.2 million in the first, second, third and fourth quarters, respectively.

The Trucking/Logistics segment achieved record revenue in 2018. Revenue in this segment increased by $111.9 million, or 14.7 percent, to $873.3 million as compared to $761.4 million in 2017. This improvement was due to an increase in demand for freight services, rate increases and our recent acquisitions. Revenue in the Oilfield Services segment increased by $11.5 million, or 3.0 percent, to $389.9 million as compared to $378.4 million due to the acquisitions of the AECOM ISD business and assets and Canadian Hydrovac at the end of the second quarter, which was offset by lower drilling activity in the WCSB, significant revenue declines at our pipe and tubular Business Units and a decline in demand for large diameter pipeline stringing and stockpiling services.

Consolidated Revenue **Years ended December 31** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**864.1**	**68.5**	785.5	69.0	78.6	10.0
Contractors	**389.3**	**30.9**	346.1	30.4	43.2	12.5
Other	**7.4**	**0.6**	6.9	0.6	0.5	7.2
Total	**1,260.8**	**100.0**	1,138.5	100.0	122.3	10.7

Revenue related to Company Equipment increased by $78.6 million, or 10.0 percent, to $864.1 million as compared to $785.5 million in 2017 and represented 68.5 percent of consolidated revenue in the current period as compared to 69.0 percent in 2017. Revenue related to Contractors increased by $43.2 million, or 12.5 percent, to $389.3 million as compared to $346.1 million in 2017, and represented 30.9 percent of consolidated revenue in the current period as compared to 30.4 percent in 2017.

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 operating leases, equipment rent, insurance and licensing costs. The second category of DOE are the costs incurred to hire Contractors, whether owner operators or subcontractors.*

Consolidated Direct Operating Expenses **Years ended December 31** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**231.7**	**26.8**	206.9	26.3	24.8	12.0
Fuel	**90.7**	**10.5**	76.2	9.7	14.5	19.0
Repairs and maintenance	**117.2**	**13.6**	109.3	13.9	7.9	7.2
Purchased transportation	**89.0**	**10.3**	77.4	9.9	11.6	15.0
Operating supplies	**57.3**	**6.6**	56.4	7.2	0.9	1.6
Other	**24.9**	**2.9**	25.1	3.2	(0.2)	(0.8)
	610.8	**70.7**	551.3	70.2	59.5	10.8
Contractors	**292.0**	**75.0**	260.1	75.2	31.9	12.3
Total	**902.8**	**71.6**	811.4	71.3	91.4	11.3

**as a percentage of respective Consolidated revenue*

DOE in 2018 were $902.8 million as compared to $811.4 million in 2017. The increase of $91.4 million, or 11.3 percent, was attributable to the $122.3 million increase in consolidated revenue. As a percentage of revenue these expenses increased slightly to 71.6 percent as compared to 71.3 percent in 2017 due to lower margin business associated with acquisitions and inflationary pressures in both segments, most notably fuel being somewhat offset by improvement and operational efficiency gains.

In 2018 DOE associated with Company Equipment increased to $610.8 million as compared to $551.3 million in 2017. The increase of $59.5 million, or 10.8 percent, was attributable to the $78.6 million, or 10.0 percent, increase in Company revenue that occurred during the period. As a percentage of Company revenue these expenses increased to 70.7 percent as compared to 70.2 percent in 2017. Fuel expense inflation accounted for the majority of the increase. Fuel expense increased by 0.8 percent of Company revenue to 10.5 percent, or $90.7 million, as compared to 9.7 percent or $76.2 million in 2017. This increase was mitigated by cost controls initiatives and lower operating supplies expense.

Contractors expense in 2018 increased by 12.3 percent to $292.0 million, as compared to $260.1 million in 2017. This $31.9 million increase was in line with the $43.2 million, or 12.5 percent, rise in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 0.2 percent to 75.0 percent as compared to 75.2 percent in 2017.

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.*

Consolidated Selling and Administrative Expenses **Years ended December 31** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**95.8**	**7.6**	83.9	7.4	11.9	14.2
Communications, utilities and general supplies	**44.4**	**3.5**	39.3	3.5	5.1	13.0
Profit share	**11.9**	**0.9**	11.3	1.0	0.6	5.3
Foreign exchange	**(1.7)**	**(0.1)**	8.6	0.8	(10.3)	(119.8)
Stock-based compensation	**1.7**	**0.1**	1.1	0.1	0.6	54.5
Rent and other	**16.9**	**1.4**	10.7	0.8	6.2	57.9
Total	**169.0**	**13.4**	154.9	13.6	14.1	9.1

**as a percentage of total Consolidated revenue*

S&A expenses increased to $169.0 million in 2018 as compared to $154.9 million in 2017. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $169.3 million, or 13.4 percent of revenue, as compared to $147.0 million, or 12.9 percent in 2017. The $22.3 million increase was attributable to the $14.1 million of incremental S&A expenses associated with acquisitions, most notably increased rent and wages and benefits expenses, and to a lesser degree, incremental costs associated with increased revenue such as increased wages and benefits, profit share and stock-based compensation expenses.

Operating Income Before Depreciation and Amortization

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

Consolidated Operating Income Before Depreciation and Amortization **Years ended December 31** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**128.4**	**67.9**	109.7	63.7	18.7	17.0
Oilfield Services	**66.8**	**35.3**	74.2	43.1	(7.4)	(10.0)
Corporate	**(6.2)**	**(3.2)**	(11.7)	(6.8)	5.5	(47.0)
Total	**189.0**	**100.0**	172.2	100.0	16.8	9.8

**as a percentage of total Consolidated revenue*

OIBDA for the period was $189.0 million, or 15.0 percent of revenue, as compared to $172.2 million, or 15.1 percent, in 2017. The $16.8 million increase represents a year over year improvement of 9.8 percent and was comprised of an $18.7 million rise in OIBDA in the Trucking/Logistics segment and an $8.2 million positive variance in foreign exchange expense related to the change in value of the Canadian dollar vis-à-vis the U.S. dollar being partially offset by a $7.4 million reduction in OIBDA in the Oilfield Services segment.

Consolidated Operating Income Before Depreciation and Amortization – Adjusted(1) **Years ended December 31**						
($ millions)	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
OIBDA	**189.0**	**15.0**	172.2	15.1	16.8	9.8
Foreign exchange within the Corporate Office	**(0.3)**	**—**	7.9	0.7	(8.2)	(103.8)
OIBDA – adjusted(1)	**188.7**	**15.0**	180.1	15.8	8.6	4.8

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
**as a percentage of total Consolidated revenue*

Adjusting for changes in foreign exchange within the Corporate Office, OIBDA – adjusted[1] was $188.7 million as compared to $180.1 million in 2017, a rise of $8.6 million, or 4.8 percent. In terms of percentage of consolidated revenue, operating margin – adjusted[1] declined to 15.0 percent as compared to 15.8 percent in 2017, primarily due to the decline in margin in the Oilfield Services segment. Despite the addition of lower margin businesses by way of asset-light acquisitions, the Trucking/Logistics segment experienced margin expansion as a result of rate increases and greater operational efficiencies.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $72.1 million in 2018 as compared to $75.4 million in 2017. This decrease of $3.3 million was mainly attributable to a reduction in depreciation being recorded in the Oilfield Services segment, while depreciation in the Trucking/Logistics segment and the Corporate Office increased on a year over year basis. Depreciation in the Oilfield Services segment decreased by $5.9 million and was mainly due to the $7.9 million of additional depreciation recorded on specialized equipment in 2017 within Cascade Energy after an assessment of market conditions for such equipment. This decrease was somewhat offset by the incremental depreciation being recorded on the AECOM ISD and the Canadian Hydrovac acquisitions and from a greater amount of depreciation being recorded on specialty equipment in 2018 due to the change in estimate applied prospectively as of January 1, 2018, which was based upon the revised estimated useful life of such equipment. For further information, refer to the section titled "Change in Accounting Estimate" beginning on page 84. Depreciation in the Trucking/Logistics segment increased by $2.4 million due to the additional depreciation expense resulting from the recent acquisitions and from an increase in the amount of capital expenditures being made within this segment. Depreciation in the Corporate Office increased by $0.2 million on a year over year basis.

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 $15.4 million in 2018 as compared to $11.2 million in 2017. This increase mainly resulted from the additional amortization recorded on the intangible assets associated with the recent acquisitions, which was somewhat offset by certain intangible assets becoming fully amortized. We also purchased $3.0 million of intangible assets by acquiring a customer list from a third-party within the Trucking/Logistics segment.

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

Finance Costs

Finance costs mainly consist of:

- Interest expense on financial liabilities, including:
    - U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, $30.0 million of Series I Notes, $3.0 million of Series J Notes, $58.0 million of Series K Notes and $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
    - various financing loans that are secured by specific operating equipment (collectively, the "**Various Financing Loans**"); and
    - borrowings on the Bank Credit Facility.
- Less any interest income generated from cash and cash equivalents.

Finance costs were $20.0 million in 2018 as compared to $27.5 million in 2017. The decrease of $7.5 million was mainly attributable to the September 27, 2017, repayment of the Series E (U.S. $85.0 million bearing interest at 5.90 percent per annum) and Series F ($20.0 million bearing interest at 5.47 percent per annum) Notes, the June 29, 2018 repayment of the Series D ($70.0 million bearing interest at 5.76 percent per annum) Notes, and the repayment of the Debentures which matured on July 1, 2018. These decreases were somewhat offset by a greater amount of interest expense being recorded on the U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar on a year over year basis. Finance costs also increased due to a greater amount of interest expense being recorded from borrowings on the Bank Credit Facility.

Net Foreign Exchange Loss (Gain)

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 loss was $8.5 million in 2018 as compared to a net foreign exchange gain of $21.7 million in 2017. The net foreign exchange loss of $8.5 million in 2018 resulted even though the principal portion of all our U.S. $229.0 million debt is hedged by our Cross-Currency Swaps. This loss 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 $30.2 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 loss are as follows:

Net Foreign Exchange Loss (Gain)	**Years ended December 31**	
	CDN. $ Equivalent	
($ millions)	**2018**	**2017**
Foreign exchange loss (gain) on U.S. $ debt	**25.1**	(28.8)
Foreign exchange (gain) loss on Cross-Currency Swaps	**(16.6)**	7.1
Net foreign exchange loss (gain)	**8.5**	(21.7)

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

We recorded a foreign exchange loss of $25.1 million related to our U.S. dollar debt due to the $0.1097 weakening of the Canadian dollar relative to the U.S. dollar during 2018. In 2017 we recorded a foreign exchange gain of $28.8 million due to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange loss (gain) on the U.S. dollar debt is summarized in the following table:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Years ended December 31**					
	2018			**2017**		
($ millions, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Beginning – January 1	**229.0**	**1.2545**	**287.3**	314.0	1.3427	421.6
Less: Repayment of Series E Notes	**—**	**—**	**—**	(85.0)	1.2412	(105.5)
Subtotal	**229.0**	**—**	**287.3**	229.0	—	316.1
Ending – December 31	**229.0**	**1.3642**	**312.4**	229.0	1.2545	287.3
Foreign exchange loss (gain) on U.S. $ debt			**25.1**			(28.8)

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 $16.6 million in 2018 as compared to a $7.1 million loss in 2017. 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	**Years ended December 31**			
	2018		**2017**	
($ 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**	**(9.1)**	117.0	4.0
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(7.5)**	112.0	3.1
Foreign exchange (gain) loss on Cross-Currency Swaps		**(16.6)**		7.1

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment, earnings from equity investments, the gain on fair value of equity investment and the gain on contingent consideration. Other income in 2018 was $0.4 million, a $2.1 million negative variance as compared to the $2.5 million of other income recorded in 2017. The $2.1 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $2.4 million). We periodically invest in certain public corporations. In 2018 there was a decrease in the fair value of investments of $3.1 million as compared to a $0.7 million decrease in 2017. The $3.1 million decrease in the fair value of investments in 2018 was due to the downturn in the energy sector and its impact on the share price of investments held by the Corporation. There were no investments purchased or sold in 2018. In 2017 we purchased $0.5 million of investments related to Trakopolis and there were no investments sold.

Loss on Sale of Property, Plant and Equipment (positive variance of $1.5 million). We recognized a loss of $0.3 million in 2018 on sale of property, plant and equipment on total consolidated proceeds on sale of $12.2 million as compared to a $1.8 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $13.3 million in 2017. The $0.3 million loss on sale of property, plant and equipment in 2018 mainly resulted from the sale of older equipment in the Trucking/Logistics segment. The $1.8 million loss on sale of property, plant and equipment in 2017 mainly resulted from the sale of older equipment in both the Trucking/Logistics and Oilfield Services segments.

Gain on Contingent Consideration (negative variance of $2.0 million). In 2017 we recognized a $2.0 million gain on contingent consideration associated with our acquisition of Caneda Transport Ltd. ("**Caneda**"). Caneda did not achieve certain financial targets for the twelve month period ending September 30, 2017, which resulted in a $2.0 million gain on contingent consideration.

Earnings from Equity Investments (positive variance of $2.3 million). We recognized $3.8 million of earnings from equity investments in 2018 as compared to earnings of $1.5 million in 2017. The $2.3 million positive variance was mainly due to improved results from Kriska Transportation Group Limited ("**Kriska Transportation**") and the incremental earnings generated by Thrive. 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. In 2018 we invested $2.0 million to acquire a 40.0 percent equity interest in PCX. In 2017 we purchased an equity investment for $0.2 million related to Thrive. In 2018 the aggregate amount of revenue and OIBDA generated by our equity investees was $234.6 million and $26.8 million, respectively. The following table details our equity investments and the date from which we commenced recording earnings from them.

Equity Investment	Date of Significant Influence or Joint Control Obtained
Canol Oilfield Services Inc.	January 1, 2013
Kriska Transportation Group Limited	December 1, 2014
Cordova Oilfield Services Ltd.	April 17, 2015
Butler Ridge Energy Services (2011) Ltd.	July 1, 2015
Thrive Management Group Ltd.	September 27, 2017
Pacific Coast Express Limited	August 1, 2018

Gain on Fair Value of Equity Investment (negative variance of $1.5 million). We acquired control of Envolve through a series of transactions. On April 10, 2015, we acquired approximately 38.0 percent of the issued and outstanding shares of Envolve for $5.0 million and then recognized $1.1 million of earnings from this equity investment until March 17, 2017, the date we obtained control. We acquired all of the remaining issued and outstanding shares of Envolve for cash consideration of $12.6 million. The fair value of Envolve was $20.3 million on the date control was obtained resulting in a $1.5 million gain on this equity investment.

Impairment of Goodwill

In general terms, goodwill represents the excess of the purchase price of a business combination over the net amount of identifiable assets acquired less the liabilities assumed. At December 31, 2018, we performed our annual impairment test for goodwill and concluded that there was impairment of goodwill within certain cash generating units ("**CGUs**") in the Oilfield Services segment as the recoverable amount for these CGUs was lower than their respective carrying amount and was mainly due to the downturn in the fourth quarter in the oil and natural gas industry in western Canada. We recognized a $100.0 million impairment of goodwill in the fourth quarter of 2018 using the following discount and terminal value growth rates within each respective CGU:

($ millions)		**Impairment of Goodwill**	**Discount Rate**	**Terminal Value Growth Rate**
Cash Generating Unit				
Formula Powell L.P.	**$**	45.6	11.5%	2.5%
Cascade Energy Services L.P.		37.6	12.0%	2.0%
Mullen Oilfield Services L.P.		5.8	12.0%	2.0%
Spearing Service L.P.		5.0	12.0%	2.0%
R. E. Line Trucking (Coleville) Ltd.		3.0	12.0%	2.5%
Withers L.P.		3.0	12.0%	2.0%
Total Impairment of Goodwill	**$**	100.0		

The impairment of goodwill within these CGUs resulted from the deterioration of the oil and natural gas industry in the fourth quarter of 2018, which led to us revising our projected future cash flows. The oil and natural gas industry in Canada continued to be mired with negative news in the fourth quarter of 2018. The price of Canadian crude oil was U.S. $13.46 per barrel on November 15, 2018. This impacted the profitability of oil and gas producers and resulted in a reduction of oil and gas drilling and the curtailment of drilling programs in 2019. On December 3, 2018, the Alberta government announced an 8.7 percent oil production cut, a decrease of 325,000 barrels a day commencing on January 1, 2019. The industry continues to be negatively impacted by the inability to increase takeaway capacity through additional pipelines and access to tidewater and new markets. The persistent negativism surrounding the oil and gas industry in Canada has led to a lack of capital investment. As a result of these factors, we lowered our future expectations regarding drilling activity and earnings for our CGUs within this segment, which resulted in a $100.0 million impairment of goodwill. After recognizing this impairment of goodwill, the recoverable amount of these CGUs equaled its carrying amount. The recording of this impairment of goodwill is recognized as an expense and reduces book equity and net income but does not impact cash flows.

At December 31, 2017, we performed our annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of our CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount.

Income Taxes

($ millions)		Years ended December 31 2018		2017
Income (loss) before income taxes	**$**	**(26.6)**	$	82.3
Combined statutory tax rate		**27%**		27%
Expected income tax		**(7.2)**		22.2
Add (deduct):				
Impairment of goodwill		**21.4**		—
Non-deductible (taxable) portion of net foreign exchange loss (gain)		**1.2**		(2.9)
Non-deductible (taxable) portion of the change in fair value of investments		**0.4**		(0.1)
Stock-based compensation expense		**0.4**		0.3
Decrease in income tax due to changes in income tax rates		**—**		(0.3)
Unrecognized deferred tax asset		**1.2**		(2.9)
Other		**(0.2)**		0.5
Income tax expense	**$**	**17.2**	$	16.8

Income tax expense was $17.2 million in 2018 as compared to $16.8 million in 2017. The increase of $0.4 million was mainly attributable to increased OIBDA, the tax implications associated with the impairment of goodwill and the year over year change in net foreign exchange.

Net Income (Loss)

($ millions, except share and per share amounts)		Years ended December 31 2018		2017	% Change
Net income (loss)	**$**	**(43.8)**	$	65.5	(166.9)
Weighted average number of Common Shares outstanding		**104,273,508**		103,654,316	0.6
Earnings (loss) per share – basic	**$**	**(0.42)**	$	0.63	(166.7)

Net income (loss) decreased by $109.3 million to $(43.8) million in 2018 as compared to $65.5 million in 2017. The factors contributing to the decrease in net income include:

- a $100.0 million impairment of goodwill;
- a $30.2 million negative variance in net foreign exchange;
- a $4.2 million increase in amortization of intangible assets;
- a $2.4 million negative variance in the fair value of investments;
- a $2.0 million gain on contingent consideration recorded in 2017;
- a $1.5 million gain in 2017 on the fair value of our equity investment in Envolve; and
- a $0.4 million increase in income tax expense.

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

- a $16.8 million increase in OIBDA;

- a $7.5 million decrease in finance costs;
- a $3.3 million decrease in depreciation of property, plant and equipment;
- a $2.3 million increase in earnings from equity investments; and
- a $1.5 million decrease in the loss on sale of property, plant and equipment.

Basic earnings (loss) per share decreased to $(0.42) in 2018 as compared to $0.63 in 2017. This decrease resulted from the effect of the $109.3 million decrease in net income (loss). The weighted average number of Common Shares outstanding increased slightly from 103,654,316 to 104,273,508, which was mainly due to the conversion of some Debentures into Common Shares in 2018.

Net Income – Adjusted and Earnings per Share – Adjusted

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

	Years ended December 31	
($ millions, except share and per share amounts)	**2018**	**2017**
Income (loss) before income taxes	**$ (26.6)**	$ 82.3
Add (deduct):		
Impairment of goodwill	**100.0**	—
Net foreign exchange loss (gain)	**8.5**	(21.7)
Change in fair value of investments	**3.1**	0.7
Gain on fair value of equity investment	**—**	(1.5)
Gain on contingent consideration	**—**	(2.0)
Income before income taxes – adjusted	**85.0**	57.8
Income tax rate	**27%**	27%
Computed expected income tax expense	**(23.0)**	(15.6)
Net income – adjusted[(1)]	**62.0**	42.2
Weighted average number of Common Shares outstanding – basic	**104,273,508**	103,654,316
Earnings per share – adjusted[(1)]	**$ 0.59**	$ 0.41

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

2018 SEGMENTED INFORMATION

Year ended December 31, 2018 ***($ millions)***	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Revenue	**873.3**	**389.9**	**(2.4)**	**1,260.8**
Direct operating expenses	**637.9**	**274.1**	**(9.2)**	**902.8**
Selling and administrative expenses	**107.0**	**49.0**	**13.0**[(2)]	**169.0**
Operating income before depreciation and amortization	**128.4**	**66.8**	**(6.2)**	**189.0**
Net capital expenditures[(1)]	**48.5**	**18.4**	**20.6**	**87.5**

Year ended December 31, 2017 ***($ millions)***	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$
Revenue	761.4	378.4	(1.3)	1,138.5
Direct operating expenses	560.6	257.8	(7.0)	811.4
Selling and administrative expenses	91.1	46.4	17.4[(3)]	154.9
Operating income before depreciation and amortization	109.7	74.2	(11.7)	172.2
Net capital expenditures[(1)]	20.4	(2.6)	2.0	19.8

[(1)] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
[(2)] Includes a $0.3 million foreign exchange gain.
[(3)] Includes a $7.9 million foreign exchange loss.

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 December 31, 2018, the Trucking/Logistics segment was comprised of 15 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*

Revenue

Revenue – Trucking/Logistics Years ended December 31 *($ millions)*	2018		2017		Change	
	$	%	$	%	$	%
Company	**574.5**	**65.8**	507.7	66.7	66.8	13.2
Contractors	**297.8**	**34.1**	252.8	33.2	45.0	17.8
Other	**1.0**	**0.1**	0.9	0.1	0.1	11.1
Total	**873.3**	**100.0**	761.4	100.0	111.9	14.7

The Trucking/Logistics segment revenue increased by $111.9 million, or 14.7 percent, to $873.3 million as compared to $761.4 million in 2017 and represented 69.1 percent of pre-consolidated revenue in 2018 as compared to 66.8 percent in 2017. This was a new segment record. Segment revenue increased as a result of the incremental revenue related to our recent acquisitions, an increase in demand for freight services and market tightness that allowed us to raise rates. Revenue increased by $26.6 million, $36.2 million, $36.0 million and $13.1 million in the first, second, third and fourth quarters, respectively. Some of the specific factors that impacted revenue were the following:

- Our regional LTL business improved by $33.6 million, or 8.4 percent, in 2018 and benefitted from rate increases, market share gains, the recovery in the Alberta economy and a rise in fuel surcharge revenue. The six regional LTL Business Units[1] generated revenue of $430.8 million as compared to $397.2 million in 2017.

- Our nine truckload services Business Units generated $454.1 million in revenue as compared to $377.8 million in 2017 due to the $43.6 million of incremental revenue generated by our recent acquisitions, increase in demand for freight services in western Canada and a rise in fuel surcharge revenue being partially offset by a $12.2 million drop in revenue at Smook due to project delays.

- Fuel surcharge revenue, excluding the effect of acquisitions, increased by $23.5 million to $89.8 million as compared to $66.3 million in 2017.

Revenue related to Company Equipment increased by $66.8 million, or 13.2 percent, to $574.5 million as compared to $507.7 million in 2017 and represented 65.8 percent of segment revenue in the current period as compared to 66.7 percent in 2017. Revenue related to Contractors increased by $45.0 million, or 17.8 percent, to $297.8 million as compared to $252.8 million in 2017 and represented 34.1 percent of segment revenue in the current period as compared to 33.2 percent in 2017.

[1] Our six 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, Grimshaw Trucking L.P. and Bernard Transport Ltd. Although their primary service offering is LTL, they provide many other services including full-truckload, bulk and logistics services. Bernard Transport Ltd. was combined with Hi-Way 9 Group of Companies on January 1, 2019.

Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics Years ended December 31 *($ millions)*	2018		2017		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**154.1**	**26.8**	138.5	27.3	15.6	11.3
Fuel	**65.4**	**11.4**	55.2	10.9	10.2	18.5
Repairs and maintenance	**66.6**	**11.6**	62.5	12.3	4.1	6.6
Purchased transportation	**86.6**	**15.1**	75.8	14.9	10.8	14.2
Operating supplies	**26.1**	**4.5**	23.1	4.5	3.0	13.0
Other	**17.8**	**3.1**	17.6	3.5	0.2	1.1
	416.6	**72.5**	372.7	73.4	43.9	11.8
Contractors	**221.3**	**74.3**	187.9	74.3	33.4	17.8
Total	**637.9**	**73.0**	560.6	73.6	77.3	13.8

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

We gained operational efficiencies in 2018 that resulted in lower DOE as a percentage of revenue. DOE expressed as a percentage of revenue decreased by 0.6 percent to 73.0 percent as compared to 73.6 percent in 2017. Total DOE were $637.9 million in 2018 as compared to $560.6 million in 2017. The increase of $77.3 million, or 13.8 percent, was directly related to the following factors:

- a $111.9 million, or 14.7 percent, increase in segment revenue;
- higher costs, the most notable being fuel expense as a result of the rise in oil prices; and
- our most recent acquisitions that have slightly higher DOE as a percentage of revenue.

DOE related to Company Equipment increased by $43.9 million, or 11.8 percent, to $416.6 million as compared to $372.7 million in 2017. This increase was generally in proportion to the $66.8 million, or 13.2 percent, increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 0.9 percent to 72.5 percent as compared to 73.4 percent in 2017. This decrease was due to greater operational efficiencies being somewhat offset by increased fuel costs associated with the year over year rise in diesel prices and the effect of our recent acquisitions.

Contractors expense in 2018 increased by $33.4 million to $221.3 million as compared to $187.9 million in 2017. This increase was in line with the $45.0 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense remained stable at 74.3 percent.

Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics Years ended December 31 *($ millions)*	2018		2017		Change	
	$	%*	$	%*	$	%
Wages and benefits	**63.2**	**7.2**	55.6	7.3	7.6	13.7
Communications, utilities and general supplies	**26.9**	**3.1**	22.7	3.0	4.2	18.5
Profit share	**8.0**	**0.9**	6.7	0.9	1.3	19.4
Foreign exchange	**(1.4)**	**(0.2)**	0.6	0.1	(2.0)	(333.3)
Rent and other	**10.3**	**1.3**	5.5	0.7	4.8	87.3
Total	**107.0**	**12.3**	91.1	12.0	15.9	17.5

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

S&A expenses were $107.0 million in 2018 as compared to $91.1 million in 2017. The increase of $15.9 million was primarily due to the $10.0 million of incremental S&A expenses associated with the acquisitions and the $1.3 million increase in profit share expense due to improved profitability being offset by a $2.0 million positive variance in foreign exchange. S&A expenses as a percentage of segment revenue remained relatively stable at 12.3 percent as compared to 12.0 percent in 2017.

Operating Income Before Depreciation and Amortization

OIBDA in 2018 increased by $18.7 million, or 17.0 percent, to $128.4 million as compared to $109.7 million generated in 2017. Operating margin[1] increased to 14.7 percent as compared to 14.4 percent in 2017. This 0.3 percent increase in operating margin[1] was primarily due to the net effect of these factors:

- higher margins due to the effect of rate increases and tightening industry capacity;
- the lower margins generated by the recent acquisitions, which are generally classified as asset light and typically generate lower margins; and
- the higher fuel costs associated with operating Company Equipment.

Capital Expenditures

Net capital expenditures[1] were $48.5 million in 2018, an increase of $28.1 million as compared to $20.4 million in 2017. The Trucking/Logistics segment had gross capital expenditures of $52.0 million and dispositions of $3.5 million for net capital expenditures[1] of $48.5 million in 2018. Gross capital expenditures mainly consisted of the purchase of trucks and trailers to support growth opportunities and strong customer demand, to replace equipment within our LTL operations including some transfers from the Oilfield Services segment, new trailers to replace some operating leases as well as various pieces of operating equipment. In 2017 gross capital expenditures were $23.4 million and dispositions were $3.0 million for net capital expenditures[1] of $20.4 million.

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

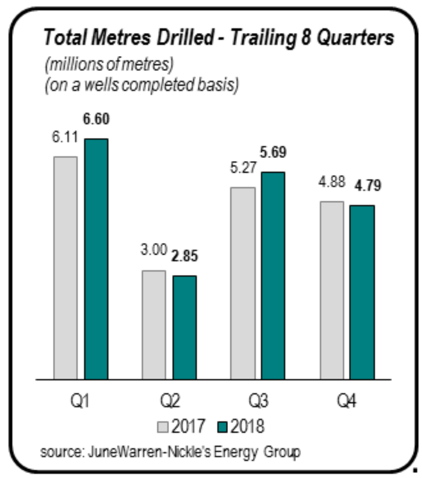
OILFIELD SERVICES SEGMENT

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 December 31, 2018, 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 decreased while the total metres drilled have increased. In addition, drilling techniques have evolved whereby the demand for bagged mud has diminished. However, the increase in metres drilled per well has continued to support demand for drill pipe transportation and drilling fluid hauling services.



Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, was lower than anticipated and fell dramatically in the fourth quarter. Industry statistics indicate that the average active rig count was 191 rigs during 2018 as compared to 207 active rigs in 2017, a decrease of 16 rigs or 7.7 percent. However, due to changes in drilling techniques, total wells drilled in 2018 increased by 4.3 percent to 7,415 wells drilled as compared to 7,110 wells drilled in 2017. The total length of metres drilled within such wells increased by 3.5 percent during the current period to 19.93 million metres as compared to 19.26 million metres in 2017.

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

	Years ended December 31			
	2018	**2017**	**# Change**	**% Change**
British Columbia	**438**	609	(171)	(28.1)
Alberta	**4,139**	3,731	408	10.9
Saskatchewan	**2,562**	2,530	32	1.3
Manitoba	**276**	240	36	15.0
Northwest Territories	**—**	—	—	—
Total	**7,415**	7,110	305	4.3

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

Revenue

Revenue – Oilfield Services Years ended December 31 *($ millions)*	2018		2017		Change	
	$	%	$	%	$	%
Company	**289.6**	**74.3**	277.8	73.4	11.8	4.2
Contractors	**98.9**	**25.4**	98.8	26.1	0.1	0.1
Other	**1.4**	**0.3**	1.8	0.5	(0.4)	(22.2)
Total	**389.9**	**100.0**	378.4	100.0	11.5	3.0

Segment revenue increased by $11.5 million, or 3.0 percent, to $389.9 million as compared to $378.4 million in 2017 and represented 30.9 percent of pre-consolidated revenue as compared to 33.2 percent of pre-consolidated revenue in 2017. This increase in revenue was mainly attributable to acquisitions completed in the middle of the year. This increase was partially offset by the decline in demand for large diameter pipeline hauling and stringing services and the loss of market share in the pipe handling and storage industry. Revenue decreased by $20.0 million and $14.1 million in the first and second quarters, respectively. However, due to acquisitions, revenue rose by $20.9 million and $24.7 million in the third and fourth quarters, respectively. Specific factors affecting the Oilfield Services segment's revenue were:

- a $37.6 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 executed at the end of the second quarter;

- a $0.1 million increase in revenue generated by those Business Units providing drilling services;

- a $3.9 million decrease in revenue generated by those Business Units providing specialized services to the oil sands and water management industries including a $7.2 million decrease in pipeline hauling and stringing services revenue, a decline in demand for heavy haul services as well as a reduction in demand for pumps and watering management services at Canadian Dewatering, particularly during the first quarter being offset by the acquisition of Canadian Hydrovac executed at the beginning of the third quarter; and

- a $20.2 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as a result of new competition in the handling and storage of oilfield pipe, which negatively impacted our pipe hauling and storage Business Units.

Direct Operating Expenses

Direct Operating Expenses – Oilfield Services Years ended December 31 *($ millions)*	2018		2017		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**77.6**	**26.8**	68.4	24.6	9.2	13.5
Fuel	**25.3**	**8.7**	21.0	7.6	4.3	20.5
Repairs and maintenance	**50.6**	**17.5**	46.8	16.8	3.8	8.1
Purchased transportation	**2.5**	**0.9**	1.7	0.6	0.8	47.1
Operating supplies	**31.2**	**10.8**	33.4	12.0	(2.2)	(6.6)
Other	**8.7**	**2.9**	8.8	3.2	(0.1)	(1.1)
	195.9	**67.6**	180.1	64.8	15.8	8.8
Contractors	**78.2**	**79.1**	77.7	78.6	0.5	0.6
Total	**274.1**	**70.3**	257.8	68.1	16.3	6.3

**as a percentage of respective Oilfield Services revenue*

DOE were $274.1 million in 2018 as compared to $257.8 million in 2017. The increase of $16.3 million, or 6.3 percent, was directly related to the following factors:

- an $11.5 million, or 3.0 percent, increase in segment revenue;

- higher wages and benefits expense as a percentage of revenue due to the nature of our acquisitions and a tight labour market;

- higher costs, the most notable being fuel as well as repairs and maintenance; and

- a $2.2 million reduction in operation supplies mainly due to the decrease in Canadian Dewatering's pump sales.

As a percentage of revenue these expenses increased by 2.2 percent to 70.3 percent compared to 68.1 percent in 2017 largely as a result of the change in revenue mix and inflationary cost pressures.

In 2018 DOE associated with Company Equipment increased by $15.8 million, or 8.8 percent, to $195.9 million as compared to $180.1 million in 2017. This increase was directly related to the $11.8 million, or 4.2 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 2.8 percent to 67.6 percent as compared to 64.8 percent in 2017 primarily due to higher wages and benefits expense as well as higher repairs and maintenance expense and fuel costs being partially offset by a reduction in operating supplies expense.

Contractors expense in 2018 increased to $78.2 million, as compared to $77.7 million in 2017. This $0.5 million increase was directly related to the change in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 79.1 percent as compared to 78.6 percent due to the AECOM ISD acquisition.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services
Years ended December 31

($ millions)	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**26.9**	**6.9**	24.4	6.4	2.5	10.2
Communications, utilities and general supplies	**14.2**	**3.6**	13.7	3.6	0.5	3.6
Profit share	**3.9**	**1.0**	4.6	1.2	(0.7)	(15.2)
Rent and other	**4.0**	**1.1**	3.7	1.1	0.3	8.1
Total	**49.0**	**12.6**	46.4	12.3	2.6	5.6

**as a percentage of total Oilfield Services revenue*

S&A expenses in 2018 increased by $2.6 million to $49.0 million as compared to $46.4 million in 2017 primarily due to the $4.1 million of incremental S&A expenses associated with acquisitions being partially offset by the $0.7 million decrease in profit share expense as well as various cost control initiatives. S&A expenses as a percentage of segment revenue increased by 0.3 percent to 12.6 percent for the year but have been trending downwards in the second half due to acquisitions.

Operating Income Before Depreciation and Amortization

OIBDA in 2018 decreased by $7.4 million, or 10.0 percent, to $66.8 million. OIBDA decreased by $9.1 million and $5.5 million in the first and second quarters and then increased by $1.8 million and $5.4 million in the third and fourth quarters, respectively. The $7.4 million year over year decrease can be attributed to the following:

- an $11.1 million decrease from those Business Units tied to drilling related activity;

- a $2.7 million decrease relating to those Business Units leveraged to the oil sands and pipeline construction projects;

- a $0.1 million decrease from those Business Units providing drilling services; and

- a $6.5 million increase in those Business Units involved in the transportation of fluids and servicing of wells.

OIBDA represented as a percentage of segment revenue, decreased to 17.1 percent in 2018 as compared to 19.6 percent in 2017. The 2.5 percent decrease in operating margin[1] was due to inflation and the increases in both DOE and S&A expenses as a percentage of segment revenue. Further, the change in revenue mix associated with the completion of certain large diameter pipeline projects and acquisitions had a detrimental effect on margin.

Capital Expenditures

Net capital expenditures[1] were $18.4 million in 2018, an increase of $21.0 million as compared to $(2.6) million in 2017. In 2018 the Oilfield Services segment had gross capital expenditures of $29.0 million and dispositions of $10.6 million. The majority of the new capital was invested in Envolve to acquire land rights for future disposal wells, the drilling and completion of a new horizontal disposal well and capital to expand our plant near Grande Prairie, Alberta. Capital was also allocated to purchase hydrovac equipment to restructure Canadian Hydrovac's balance sheet and to replace trucks and trailers at Premay Pipeline. The majority of the dispositions related to the sale of older operating equipment and the transfer of trucks and trailers to various Business Units within the Trucking/Logistics segment. In 2017 gross capital expenditures were $8.5 million and dispositions were $11.1 million for net capital expenditures[1] of $(2.6) million.

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 $6.2 million in 2018 as compared to a loss of $11.7 million in 2017. The $5.5 million decrease in loss was mainly attributable to an $8.2 million positive variance in foreign exchange. In 2018 the Corporate Office recorded a foreign exchange gain of $0.3 million as compared to a foreign exchange loss of $7.9 million in 2017. The $0.3 million foreign exchange gain in 2018 was due to the Corporate Office holding an average of approximately U.S. $3.1 million of cash combined with a $0.1097 strengthening of the U.S. dollar relative to the Canadian dollar. Excluding the effects of foreign exchange, the Corporate Office experienced a loss of $6.5 million as compared to a loss of $3.8 million in 2017. The increase of $2.7 million was mainly due to higher costs in 2018 including salaries, stock-based compensation and acquisition related expenses, which was somewhat offset by additional income being generated from real estate holdings.

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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

	Years ended December 31	
($ millions)	**2018**	**2017**
Net cash from operating activities	**$ 140.7**	$ 142.1
Net cash used in financing activities	**(131.5)**	(208.4)
Net cash used in investing activities	**(140.7)**	(62.2)
Change in cash and cash equivalents	**(131.5)**	(128.5)
Effect of exchange rate fluctuations on cash held	**0.9**	(7.3)
Cash and cash equivalents, beginning of period	**134.5**	270.3
Cash and cash equivalents, end of period	**$ 3.9**	$ 134.5

Annual Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $140.7 million in 2018 as compared to $142.1 million in 2017. Net cash used in financing activities in 2018 was $131.5 million as compared to using $208.4 million in 2017. The $76.9 million decrease was mainly due to the repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes on September 27, 2017, as compared to the repayment of the Series D ($70.0 million) Notes on June 29, 2018. Net cash used in investing activities increased by $78.5 million due to a greater amount of cash being used to purchase net capital expenditures[1] and on acquisitions. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities decreased to $140.7 million in 2018 as compared to $142.1 million in 2017. The decrease of $1.4 million, or 1.0 percent was mainly due to a $14.1 million increase in cash used in non-cash working capital items, which was mainly associated with the growth in revenue. This item was partially offset by an $8.6 million increase in OIBDA – adjusted[1] and a $3.5 million reduction 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	Years ended December 31		
($ millions)	**2018**	**2017**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(26.2)**	(16.9)	(9.3)
Inventory	**(3.6)**	—	(3.6)
Prepaid expenses	**(0.1)**	(1.4)	1.3
Accounts payable and accrued liabilities	**3.5**	6.0	(2.5)
Total sources (uses) of cash from non-cash working capital items	**(26.4)**	(12.3)	(14.1)

In 2018 we continued to fund growth and used $26.4 million of cash from changes in non-cash working capital items from operating activities as compared to using $12.3 million of cash in 2017. This $14.1 million variance was mainly due to the following factors.

- There was a $9.3 million increase in the amount of cash used from trade and other receivables that resulted from the combined effect of a $26.2 million use of cash in 2018 as compared to a $16.9 million use of cash in

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

2017. Trade and other receivables increased on a year over year basis, which resulted in a use of cash as we continue to finance our growth in revenue.

- An additional $3.6 million of cash was used from inventory that resulted from the combined effect of a $3.6 million use of cash in 2018 as compared to a nil amount used in 2017.

- An additional $1.3 million of cash was generated from prepaid expenses that resulted from the combined effect of a $0.1 million use of cash in 2018 as compared to a $1.4 million use of cash in 2017.

- An additional $2.5 million of cash was used from accounts payable and accrued liabilities that resulted from the combined effect of a $3.5 million source of cash in 2018 as compared to a $6.0 million source of cash in 2017.

Cash Used In Financing Activities

Net cash used in financing activities was $131.5 million in 2018 as compared to using $208.4 million in 2017. This $76.9 million variance was mainly due to the factors set forth below.

- A $61.0 million decrease in the repayment of long-term debt due to repaying the Series D Notes ($70.0 million) in 2018 as compared to the repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes in 2017.

- A $9.8 million decrease in interest paid on long-term debt due to the repayment of the Series E and Series F Notes in September 2017.

- A $30.0 million increase in cash from borrowings on the Bank Credit Facility.

Somewhat offsetting these items were the following:

- A $23.2 million increase in dividends paid to shareholders in 2018 as compared to 2017 due to an increase in the amount of the monthly dividend.

- A $1.5 million increase in the repayment of Debentures that matured in 2018.

Cash Used In Investing Activities

Net cash used in investing activities increased to $140.7 million in 2018 as compared to $62.2 million in 2017. This $78.5 million increase was mainly due to the factors set forth below.

- A $7.9 million increase in cash used to fund acquisitions due to the 2018 acquisitions of DWS, Dacota, AECOM ISD, Canadian Hydrovac and Number 8 as compared to the acquisitions made in 2017.

- A $67.7 million increase in net capital expenditures[1]. In 2018 net capital expenditures[1] were $87.5 million as compared to $19.8 million in 2017.

- A $1.2 million decrease in other assets due to the timing of the debentures advanced to PCX and Thrive.

- A $3.0 million increase in the purchase of intangible assets resulting from the purchase of a customer list for a Business Unit within the Trucking/Logistics segment.

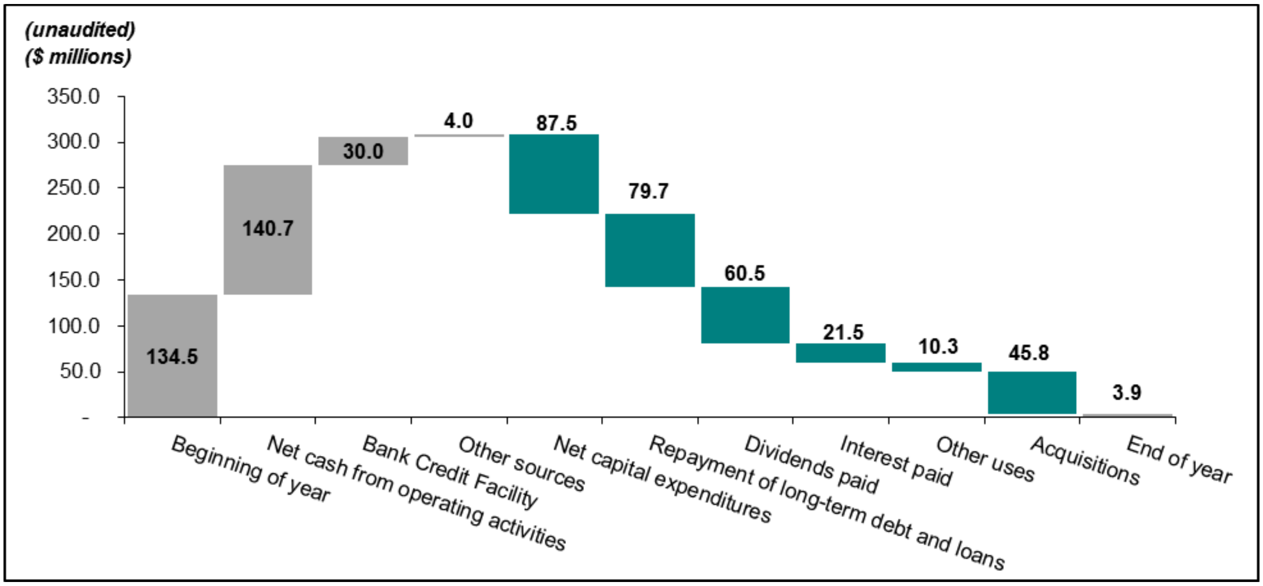
- A $1.3 million increase in the purchase of investments due to the 2018 investment in PCX.

- A $0.3 million decrease in interest received on cash and cash equivalents.

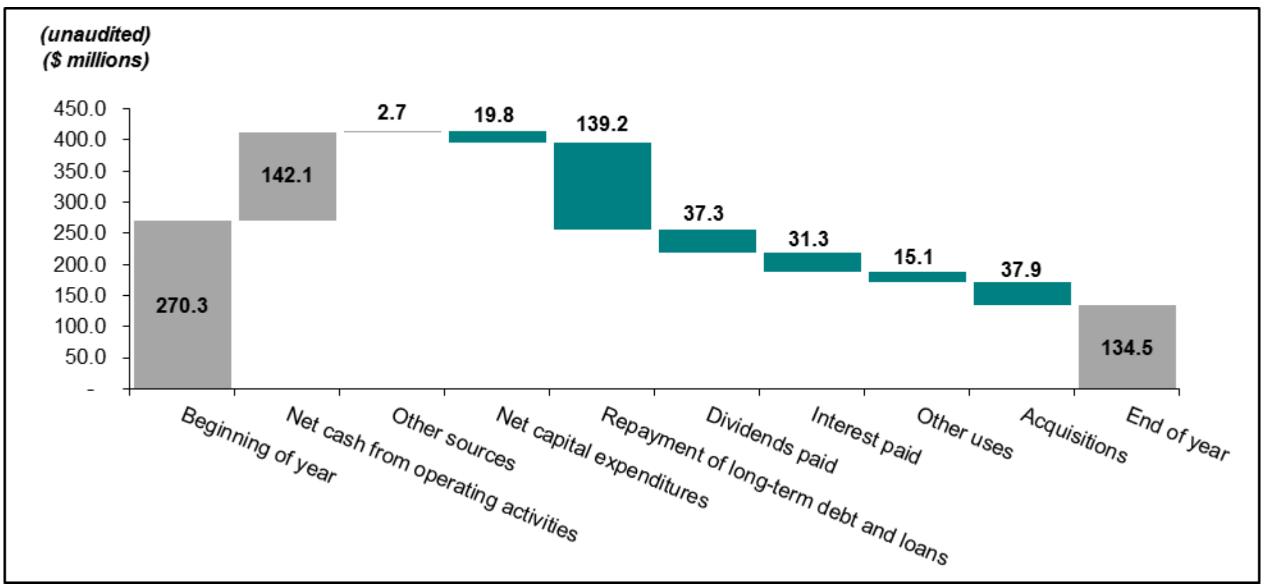
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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

Year ended December 31, 2018



Year ended December 31, 2017



In addition to the $140.7 million (2017 – $142.1 million) of net cash from operating activities, we also borrowed $30.0 million (2017 – nil) from our Bank Credit Facility and $4.0 million (2017 – $2.7 million) of cash was received from other sources, which mainly consisted of interest income generated on cash and cash equivalents, from exchange rate fluctuations on U.S. dollar cash held and from changes in non-cash working capital items from financing and investing activities. Cash was used to fund acquisitions of $45.8 million (2017 – $37.9 million), repay long-term debt and loans of $79.7 million (2017 – $139.2 million), pay dividends totalling $60.5 million (2017 – $37.3 million), incur net capital expenditures[1] of $87.5 million (2017 – $19.8 million) and pay interest obligations of $21.5 million (2017 – $31.3 million). We also had $10.3 million (2017 – $15.1 million) of other uses, which mainly consisted of an increase in other assets due to the debentures issued to PCX and Thrive, the $3.0 million purchase of a customer list and the $2.0 million equity investment in PCX.

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

Working Capital

At December 31, 2018, we had $131.7 million (December 31, 2017 – $181.6 million) of working capital. Included within working capital is $30.0 million of bank indebtedness, which consists of amounts drawn against our Bank Credit Facility. On October 24, 2018, the Bank Credit Facility was increased by $50.0 million to $125.0 million. This working capital, 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 December 13, 2017, the Board approved a $40.0 million capital budget for 2018, exclusive of corporate acquisitions, real property and special projects; with $30.0 million allocated towards the Trucking/Logistics segment primarily to replace trucks, trailers and specialized equipment to support the operations of these Business Units. In addition, $10.0 million was allocated to support the initial phase of our replacement cycle within the Oilfield Services segment after several years of under-investing in this segment. On July 25, 2018, the Board increased the 2018 capital budget by $20.0 million to $60.0 million. The revised capital budget for 2018 is slightly lower than annual depreciation due to the slowdown in the oil and gas industry, which has reduced the need for new capital in our Oilfield Services segment Business Units. 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 2018 there were $1.9 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.

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

Capital Expenditures and Depreciation Summary	**Years ended December 31**			
($ millions)	**2018**	**2017**	**2016**	**2015**
	$	**$**	**$**	**$**
Facilities				
Gross capital expenditures	**22.4**	2.5	2.8	35.2
Net capital expenditures(1)	**22.4**	1.8	2.6	35.1
Depreciation	**7.8**	7.7	7.6	7.7
Trucks, trailers and specialized equipment				
Gross capital expenditures	**77.3**	30.6	18.1	38.1
Net capital expenditures(1)	**65.1***	18.0	11.9	30.4
Depreciation	**64.3**	67.7	63.7	67.6
Total				
Gross capital expenditures	**99.7**	33.1	20.9	73.3
Net capital expenditures(1)	**87.5**	19.8	14.5	65.5
Depreciation	**72.1**	75.4	71.3	75.3

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

We increased capital investment into our business to support new opportunities, replace older equipment with new equipment that have lower operating costs and to invest in land and buildings to support our business.

Debt

As at December 31, 2018, we had net debt[1] outstanding of $350.5 million, (December 31, 2017 – $275.2 million), which consisted of total debt of $512.2 million (December 31, 2017 – $540.0 million) less working capital (excluding the current portion of long-term debt) of $161.7 million (December 31, 2017 – $264.8 million). The repayment of the Series D ($70.0 million) Notes is the primary reason for the decrease in the carrying value of the long-term debt along with the repayment and conversion of the Debentures. This decrease was somewhat offset by the $30.0 million of borrowings on the Bank Credit Facility and by the impact of the weakening of the Canadian dollar relative to the U.S. dollar on our U.S. dollar denominated debt. Total debt is comprised of the Private Placement Debt, Various Financing Loans and the Bank Credit Facility. The following table summarizes our total debt and net debt[1] as at December 31, 2018, and December 31, 2017:

		December 31, 2018		December 31, 2017		
($ millions)	**Interest Rate**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**Change in CDN. Dollar Equivalent**
Private Placement Debt:						
Series D - repaid on June 29, 2018	5.76%	$ —	$ —	$ —	$ 70.0	$ **(70.0)**
Series G - matures October 22, 2024	3.84%	117.0	159.6	117.0	146.8	**12.8**
Series H - matures October 22, 2026	3.94%	112.0	152.8	112.0	140.5	**12.3**
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**
Various Financing Loans	—	—	—	—	0.8	**(0.8)**
Less:						
Unamortized debt issuance costs		—	(1.2)	—	(1.5)	**0.3**
Long-term debt (including the current portion)		229.0	512.2	229.0	527.6	**(15.4)**
Debentures - debt component	10.0%	—	—	—	12.4	**(12.4)**
Total debt		$ 229.0	$ 512.2	$ 229.0	$ 540.0	**$ (27.8)**
Less:						
Working capital (excluding the current portion of long-term debt and Debentures)			161.7		264.8	**(103.1)**
Net debt[(2)]			$ 350.5		$ 275.2	**$ 75.3**

(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, the Bank Credit Facility, Various Financing Loans and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables us to include the trailing twelve months operating cash flows from acquisitions. Although permitted, we have not included any operating cash flows generated from our recent acquisitions in this financial covenant calculation.

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

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

Total net debt(1) to operating cash flow		**December 31 2018**		**December 31 2017**
Total net debt(1)	$	474.1	$	421.8(2)
Operating cash flow	$	192.8	$	175.8
Total net debt(1) to operating cash flow		2.46:1		2.40:1

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
(2) Calculated as total net debt less the value of any cash and cash equivalents in excess of $50.0 million

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

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

Financial Covenants	**Financial Covenant Threshold**	**December 31 2018**	**December 31 2017**
Private Placement Debt Covenants			
(a) Total net debt(1) to operating cash flow cannot exceed	3.50:1	2.46:1	2.40:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	5.89:1	4.94:1

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

Total net debt[1] to operating cash flow was 2.46:1 at December 31, 2018. Assuming the $474.1 million of total net debt[1] remains constant, we would need to generate approximately $135.4 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.

Our debt-to-equity ratio was 0.57:1 at December 31, 2018, as compared to 0.55:1 at December 31, 2017. This increase in the debt-to-equity ratio was due to the net effect of a $27.8 million decrease in total debt (including the current portion) and a $91.7 million decrease in equity as compared to December 31, 2017. The $27.8 million decrease in total debt was mainly due to the repayment of the Series D ($70.0 million) Notes and from the conversion and repayment of the Debentures, which were somewhat offset by the $30.0 million drawn on our Bank Credit Facility and the effect of the $25.1 million foreign exchange loss on the Corporation's U.S. dollar debt. The $91.7 million decrease in equity mainly resulted from the $43.8 million net loss being recognized in 2018 and from the $62.6 million of dividends declared to shareholders. These items were somewhat offset by the $11.6 million increase in share capital recorded on the conversion of Debentures and the $2.0 million of share capital issued on the acquisition of Canadian Hydrovac.

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

Contractual Obligations

The following table summarizes the contractual maturities of financial liabilities.

	Maximum Payments				
	Total	1 year	2 – 3 years	4 – 5 years	5 years and thereafter
($ millions)	**$**	**$**	**$**	**$**	**$**
Long-term debt[1]	483.4	—	—	—	483.4
Interest on long-term debt[1]	132.7	19.0	38.0	38.0	37.7
Bank Credit Facility	30.0	30.0	—	—	—
Purchase obligations	18.0	18.0	—	—	—
Operating leases	46.1	11.7	16.7	7.7	10.0
Total Contractual Obligations	710.2	78.7	54.7	45.7	531.1

(1) Assumes a U.S. dollar foreign exchange rate of $1.3642.

We ended 2018 with long-term debt (including the current portion thereof) of $512.2 million, a decrease of $15.4 million as compared to the $527.6 million of long-term debt at the beginning of the year. This decrease was due to the repayment of the Series D ($70.0 million) Notes, which was somewhat offset by the $30.0 million drawn on our Bank Credit Facility and the $25.1 million foreign exchange loss on the Corporation's U.S. dollar debt. The long-term debt consists of the Private Placement Debt, which matures in 2024 and 2026.

As at December 31, 2018, we entered into various capital expenditure purchase obligations totalling $18.0 million. The majority of these purchase obligations relate to the acquisition of trucks and trailers given that certain manufacturers require purchase obligations in advance so that manufacturing can commence and expected delivery times can be met.

The operating lease commitments of $46.1 million consist mostly of land, building and operating equipment commitments made by the Business Units. This is $22.8 million greater than the $23.3 million committed to in 2017. This increase in operating lease commitments is mainly due to the operating leases assumed by virtue of our recent acquisitions, most notably DWS where facilities are leased under long-term contracts. This increase was somewhat offset by a reduction in operating lease commitments due to a combination of MT purchasing a property in Surrey, British Columbia that had been previously leased as well as a reduction in the amount outstanding on existing leases as they come closer to expiration.

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Share Capital

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

Common Shares

Common Shares **Authorized: Unlimited Number**	**# of Common Shares**		**Amount *($ millions)***
Balance at December 31, 2017	103,654,316	$	933.3
Common Shares issued on acquisition	133,334		2.0
Common Shares issued on conversion of Debentures	1,037,323		11.6
Balance at December 31, 2018	**104,824,973**	**$**	**946.9**

At December 31, 2018, there were 104,824,973 Common Shares outstanding representing $946.9 million in share capital, an increase of $13.6 million as compared to $933.3 million at December 31, 2017. This increase was due to an additional $11.6 million recorded on the issuance of 1,037,323 Common Shares in relation to the conversion of 10,900 Debentures including accrued and unpaid interest and from $2.0 million being recorded on the issuance of 133,334 Common Shares associated with the acquisition of Canadian Hydrovac. As at January 31, 2019, there were 104,824,973 Common Shares issued and outstanding.

Stock Option Plan

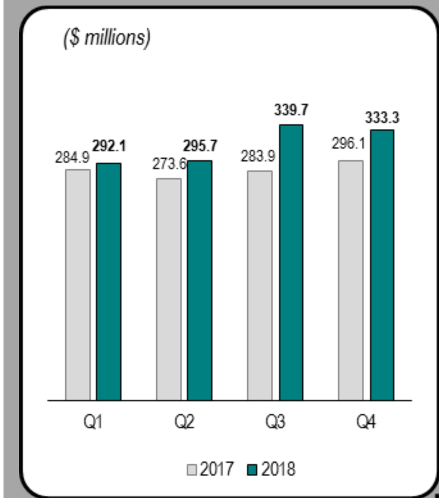
	Options		**Weighted average exercise price**
Outstanding – December 31, 2017	3,587,500	$	19.20
Granted	80,000		16.28
Exercised	—		—
Forfeited	(205,000)		(19.00)
Outstanding – December 31, 2018	**3,462,500**	**$**	**19.15**
Exercisable – December 31, 2018	**2,422,490**	**$**	**20.21**

On May 3, 2017, our shareholders approved a resolution to amend our stock option plan. The amendment increases the number of Common Shares reserved for issuance by 4,000,000. As such, 4,660,000 options were available to be issued under the stock option plan. In 2018 there were 80,000 stock options granted, no stock options exercised and 205,000 stock options forfeited. On November 6, 2017 (the "**Option Date**"), we issued 1,520,000 stock options under our stock option plan at an exercise price of $16.72. One third of the stock options granted vest on the first anniversary of the Option Date, another one third vests on the second anniversary of the Option Date with the remaining one third vesting on the third anniversary of the Option Date. As at December 31, 2018, Mullen Group had 3,462,500 stock options outstanding under the stock option plan. As at January 31, 2019, there were 3,462,500 stock options outstanding under the stock option plan.

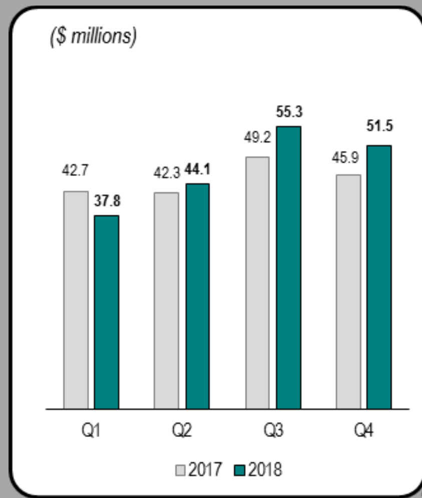
FOURTH QUARTER 2018 – CONSOLIDATED FINANCIAL RESULTS

Summary – Trailing Eight Quarters

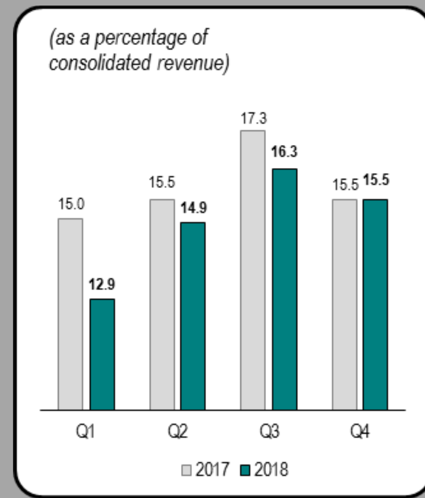
Consolidated Revenue



OIBDA – Adjusted[1]



Operating Margin – Adjusted[1]



Revenue

Q4 Consolidated Revenue by Segment **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**219.7**	**65.8**	206.6	69.8	13.1	6.3
Oilfield Services	**114.1**	**34.2**	89.4	30.2	24.7	27.6
Corporate and intersegment eliminations	**(0.5)**	—	0.1	—	(0.6)	—
Total	**333.3**	**100.0**	296.1	100.0	37.2	12.6

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the fourth quarter increased by $37.2 million, representing a year over year gain of 12.6 percent, rising to $333.3 million as compared to $296.1 million in 2017. Acquisitions remained one of our primary focuses and accounted for $29.2 million of incremental revenue. The Trucking/Logistics segment generated record fourth quarter revenue and grew by $13.1 million, or 6.3 percent, of which $7.9 million was due to acquisition. Largely due to acquisitions, our Oilfield Services segment experienced a $24.7 million increase in revenue representing a year over year increase of 27.6 percent.

Q4 Consolidated Revenue **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**233.7**	**70.1**	201.4	68.0	32.3	16.0
Contractors	**98.3**	**29.5**	92.7	31.3	5.6	6.0
Other	**1.3**	**0.4**	2.0	0.7	(0.7)	(35.0)
Total	**333.3**	**100.0**	296.1	100.0	37.2	12.6

Revenue generated by Company Equipment increased by $32.3 million, or 16.0 percent, to $233.7 million as compared to $201.4 million in 2017 and represented 70.1 percent of consolidated revenue in the current period as

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

compared to 68.0 percent in 2017. Increased fuel surcharge revenue accounted for $6.1 million in revenue growth. Revenue related to Contractors increased by $5.6 million, or 6.0 percent, to $98.3 million as compared to $92.7 million in 2017 and represented 29.5 percent of consolidated revenue in the current period as compared to 31.3 percent in 2017.

Direct Operating Expenses

Q4 Consolidated Direct Operating Expenses **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**62.7**	**26.8**	50.9	25.3	11.8	23.2
Fuel	**23.3**	**10.0**	21.4	10.6	1.9	8.9
Repairs and maintenance	**30.3**	**13.0**	27.7	13.8	2.6	9.4
Purchased transportation	**24.7**	**10.6**	21.2	10.5	3.5	16.5
Operating supplies	**17.3**	**7.4**	15.4	7.6	1.9	12.3
Other	**6.0**	**2.5**	6.3	3.2	(0.3)	(4.8)
	164.3	**70.3**	142.9	71.0	21.4	15.0
Contractors	**73.2**	**74.5**	69.5	75.0	3.7	5.3
Total	**237.5**	**71.3**	212.4	71.7	25.1	11.8

**as a percentage of respective Consolidated revenue*

DOE were $237.5 million in the fourth quarter as compared to $212.4 million in 2017. This increase of $25.1 million, or 11.8 percent, was in line with the $37.2 million, or 12.6 percent, increase in consolidated revenue.

DOE associated with Company Equipment increased to $164.3 million as compared to $142.9 million in 2017. This increase of $21.4 million, or 15.0 percent, was attributable to the $32.3 million, or 16.0 percent, increase in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 0.7 percent to 70.3 percent as compared to 71.0 percent in 2017 due to decreased repairs and maintenance and fuel expenses. These decreases were partially offset by an increase in wages and benefits expense as a result of acquisitions.

Contractors expense in the fourth quarter increased to $73.2 million as compared to $69.5 million in 2017. This $3.7 million increase was attributable to the $5.6 million rise in Contractors revenue. As a percentage of revenue, Contractors expense declined by 0.5 percent to 74.5 percent as compared to 75.0 percent in 2017 and was primarily attributable to the decreases experienced by the Trucking/Logistics segment.

Selling and Administrative Expenses

Q4 Consolidated Selling and Administrative Expenses **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**25.0**	**7.5**	21.1	7.1	3.9	18.5
Communications, utilities and general supplies	**11.3**	**3.4**	10.3	3.5	1.0	9.7
Profit share	**3.6**	**1.1**	3.0	1.0	0.6	20.0
Foreign exchange	**(1.0)**	**(0.3)**	(0.1)	—	(0.9)	900.0
Stock-based compensation	**0.4**	**0.1**	0.4	0.1	—	—
Rent and other	**4.8**	**1.4**	3.0	1.0	1.8	60.0
Total	**44.1**	**13.2**	37.7	12.7	6.4	17.0

**as a percentage of total Consolidated revenue*

S&A expenses for the period increased to $44.1 million as compared to $37.7 million in 2017 largely due to the $4.4 million of incremental S&A expenses associated with acquisitions, most notably wages and benefits expense as well as rent expense. These increases were partially offset by a $0.9 million positive variance in foreign exchange expense that related to the year over year change in the Canadian dollar relative to the U.S. dollar.

Operating Income Before Depreciation and Amortization

Q4 Consolidated Operating Income Before Depreciation and Amortization[1]
Three month periods ended December 31

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**33.2**	**64.2**	31.2	67.8	2.0	6.4
Oilfield Services	**20.8**	**40.2**	15.4	33.5	5.4	35.1
Corporate	**(2.3)**	**(4.4)**	(0.6)	(1.3)	(1.7)	283.3
Total	**51.7**	**100.0**	46.0	100.0	5.7	12.4

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
**as a percentage of total Consolidated revenue*

OIBDA for the period was $51.7 million, or 15.5 percent of revenue, as compared to $46.0 million, or 15.5 percent, in 2017. The $5.7 million increase represents a year over year increase of 12.4 percent and was primarily due to record fourth quarter OIBDA in the Trucking/Logistics segment and higher OIBDA in the Oilfield Services segment being partially offset by higher Corporate costs.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $20.0 million in the fourth quarter as compared to $25.9 million in 2017. This decrease of $5.9 million was mainly attributable to a reduction in depreciation being recorded in the Oilfield Services segment, while depreciation in the Trucking/Logistics segment increased on a year over year basis. Depreciation in the Oilfield Services segment decreased by $7.0 million and was mainly due to the additional $7.9 million of depreciation recorded on specialized equipment in 2017 within Cascade Energy after an assessment of market conditions for such equipment. This decrease was somewhat offset by the incremental depreciation being recorded on the AECOM ISD and the Canadian Hydrovac acquisitions and from a greater amount of depreciation being recorded on specialty equipment in 2018 due to the change in estimate applied prospectively as of January 1, 2018, which was based upon the revised estimated useful life of such equipment. For further information, refer to the section titled "Change in Accounting Estimate" beginning on page 84. Depreciation in the Trucking/Logistics segment increased by $1.1 million due to the additional depreciation expense resulting from the recent acquisitions and from an increase in the amount of capital expenditures being made within this segment. Depreciation in the Corporate Office remained consistent on a year over year basis.

Amortization of Intangible Assets

Amortization of intangible assets was $4.3 million in the fourth quarter as compared to $3.2 million in 2017. This increase mainly resulted from the additional amortization recorded on the intangible assets associated with the recent acquisitions, which was somewhat offset by certain intangible assets becoming fully amortized.

Finance Costs

Finance costs were $4.6 million in the fourth quarter as compared to $5.4 million in 2017. The decrease of $0.8 million was mainly attributable to the June 29, 2018 repayment of the Series D ($70.0 million bearing interest at 5.76 percent per annum) Notes and the repayment of the Debentures which matured on July 1, 2018. These decreases were somewhat offset by a greater amount of interest expense being recorded on the 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 fourth quarter of 2018. Finance costs also increased due to a greater amount of interest expense being recorded from borrowings on the Bank Credit Facility.

Net Foreign Exchange Loss (Gain)

The net foreign exchange loss was $2.2 million in the fourth quarter of 2018 as compared to a net foreign exchange loss of $1.3 million in 2017. The net foreign exchange loss of $2.2 million in 2018 resulted even though the principal portion of all our U.S. $229.0 million debt is hedged by our Cross-Currency Swaps. This loss 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. 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 $0.9 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 loss are as follows:

Net Foreign Exchange Loss (Gain)	**Three month periods ended December 31**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2018**	**2017**
Foreign exchange loss on U.S. $ debt	**16.0**	1.5
Foreign exchange (gain) on Cross-Currency Swaps	**(13.8)**	(0.2)
Net foreign exchange loss	**2.2**	1.3

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

We recorded a foreign exchange loss of $16.0 million related to our U.S. dollar debt due to the $0.0697 weakening of the Canadian dollar relative to the U.S. dollar during the fourth quarter. For the same period in 2017, we recorded a foreign exchange loss of $1.5 million due to the $0.0065 weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange loss on the U.S. dollar debt is summarized in the following table:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Three month periods ended December 31**					
	2018			**2017**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – December 31	**229.0**	**1.3642**	**312.4**	229.0	1.2545	287.3
Beginning – September 30	**229.0**	**1.2945**	**296.4**	229.0	1.2480	285.8
Foreign exchange loss on U.S. $ debt			**16.0**			1.5

Foreign Exchange (Gain) Loss on Cross-Currency Swaps

The foreign exchange gain on Cross-Currency Swaps of $13.8 million in the fourth quarter was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange (Gain) Loss on Cross-Currency Swaps	**Three month periods ended December 31**			
	2018		**2017**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**(7.3)**	117.0	(0.1)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(6.5)**	112.0	(0.1)
Foreign exchange gain on Cross-Currency Swaps		**(13.8)**		(0.2)

Other (Income) Expense

Other expense was $1.3 million in the fourth quarter of 2018 as compared to $0.3 million of other expense recorded in 2017. The $1.0 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $2.3 million). There was a decrease in the fair value of investments of $1.7 million in the fourth quarter as compared to a $0.6 million increase in 2017. The $1.7 million decrease in the fair value of investments in 2018 was due to the downturn in the energy sector in the fourth quarter and its impact on the share price of investments held by the Corporation.

Loss on Sale of Property, Plant and Equipment (positive variance of $0.4 million). We recognized a loss of $0.8 million on sale of property, plant and equipment on total consolidated proceeds on sale of $2.6 million in the fourth quarter as compared to a $1.2 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $6.0 million in 2017. The $0.8 million loss on sale of property, plant and equipment in 2018 mainly resulted from the sale of older assets by Business Units within the Oilfield Services segment. The $1.2 million loss on sale of property, plant and equipment in 2017 resulted from the sale of older assets by Business Units within the Oilfield Services segment.

Earnings from Equity Investments (positive variance of $0.9 million). We recognized $1.2 million of earnings from equity investments in the fourth quarter as compared to $0.3 million of earnings in 2017. There were no equity investments purchased or sold in the fourth quarter of 2018 and 2017.

Impairment of Goodwill

At December 31, 2018, we performed our annual impairment test for goodwill and concluded that there was impairment of goodwill within certain CGUs in the Oilfield Services segment as the recoverable amount for these CGUs was lower than their respective carrying amount. We recognized a $100.0 million impairment of goodwill in the fourth quarter of 2018. For more information refer to the "Critical Accounting Estimates" section on page 79.

Income Taxes

(unaudited) *($ millions)*	**Three month periods ended December 31**			
		2018		**2017**
Income (loss) before income taxes	**$**	**(80.7)**	$	9.9
Combined statutory tax rate		**27%**		27%
Expected income tax		**(21.8)**		2.7
Add (deduct):				
Impairment of goodwill		**21.4**		—
Non-deductible (taxable) portion of net foreign exchange loss (gain)		**0.3**		0.2
Non-deductible (taxable) portion of the change in fair value of investments		**0.2**		(0.1)
Stock-based compensation expense		**0.1**		0.1
Increase in income tax due to changes in income tax rates		**—**		0.1
Unrecognized deferred tax asset		**0.3**		0.2
Other		**(0.1)**		1.3
Income tax expense	**$**	**0.4**	$	4.5

Income tax expense decreased to $0.4 million in the fourth quarter as compared to $4.5 million in 2017. This decrease of $4.1 million was mainly attributable to the tax implications associated with the impairment of goodwill.

Net Income (Loss)

(unaudited) ***($ millions, except share and per share amounts)***	Three month periods ended December 31		
	2018	**2017**	**% Change**
Net income (loss)	**$ (81.1)**	$ 5.4	(1,601.9)
Weighted average number of Common Shares outstanding	**104,824,973**	103,654,316	1.1
Earnings (loss) per share – basic	**$ (0.77)**	$ 0.05	(1,640.0)

A loss of $81.1 million was recorded in the quarter as compared to $5.4 million of net income for the same period last year. The factors contributing to the decrease in net income include:

- a $100.0 million impairment of goodwill recorded in the fourth quarter of 2018;
- a $2.3 million negative variance in the fair value of investments;
- a $1.1 million increase in amortization of intangible assets; and
- a $0.9 million negative variance in net foreign exchange.

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

- a $5.9 million decrease in depreciation of property, plant and equipment;
- a $5.7 million increase in OIBDA;
- a $4.1 million decrease in income tax expense;
- a $0.9 million increase in earnings from equity investments;
- a $0.8 million decrease in finance costs; and
- a $0.4 million decrease in the loss on sale of property, plant and equipment.

Basic earnings (loss) per share decreased to $(0.77) in 2018 as compared to $0.05 in 2017. This decrease resulted from the effect of the $86.5 million decrease in net income (loss). The weighted average number of Common Shares outstanding increased slightly from 103,654,316 to 104,824,973, which was mainly due to the conversion of some Debentures into Common Shares in 2018.

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended December 31 2018	 2017
Income (loss) before income taxes	**$ (80.7)**	$ 9.9
Add (deduct):		
Impairment of goodwill	**100.0**	—
Net foreign exchange loss	**2.2**	1.3
Change in fair value of investments	**1.7**	(0.6)
Income before income taxes – adjusted	**23.2**	10.6
Income tax rate	**27%**	27%
Computed expected income tax expense	**(6.3)**	(2.9)
Net income – adjusted[(1)]	**16.9**	7.7
Weighted average number of Common Shares outstanding – basic	**104,824,973**	103,654,316
Earnings per share – adjusted[(1)]	**$ 0.16**	$ 0.08

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

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FOURTH QUARTER 2018 – SEGMENTED INFORMATION

Three month period ended December 31, 2018 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and Intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Revenue	**219.7**	**114.1**	**(0.5)**	**333.3**
Direct operating expenses	**159.5**	**79.9**	**(1.9)**	**237.5**
Selling and administrative expenses	**27.0**	**13.4**	**3.7**[(2)]	**44.1**
Operating income before depreciation and amortization	**33.2**	**20.8**	**(2.3)**	**51.7**
Net capital expenditures[(1)]	**14.1**	**5.1**	**10.1**	**29.3**

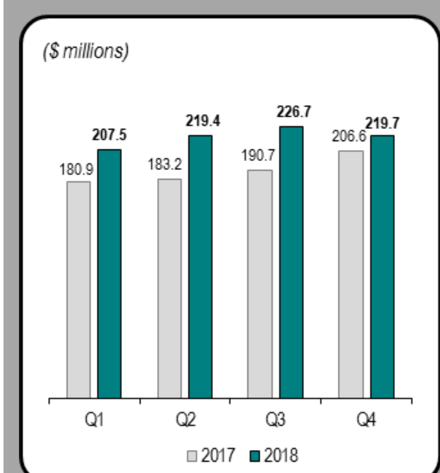
Three month period ended December 31, 2017 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and Intersegment eliminations**	**Total**
	$	$	$	$
Revenue	206.6	89.4	0.1	296.1
Direct operating expenses	151.8	62.4	(1.8)	212.4
Selling and administrative expenses	23.6	11.6	2.5[(3)]	37.7
Operating income before depreciation and amortization	31.2	15.4	(0.6)	46.0
Net capital expenditures[(1)]	3.5	(1.9)	1.7	3.3

(1) Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
(2) Includes a $0.2 million foreign exchange gain.
(3) Includes a $0.1 million foreign exchange gain.

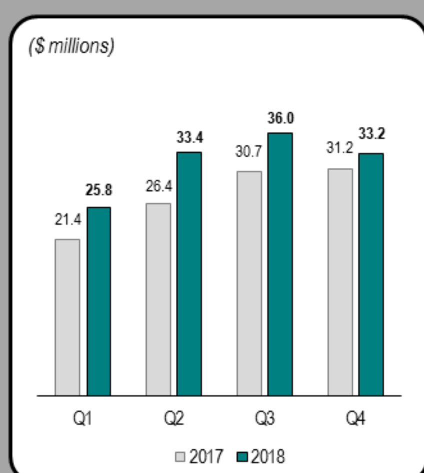
TRUCKING/LOGISTICS SEGMENT

Summary – Trailing Eight Quarters

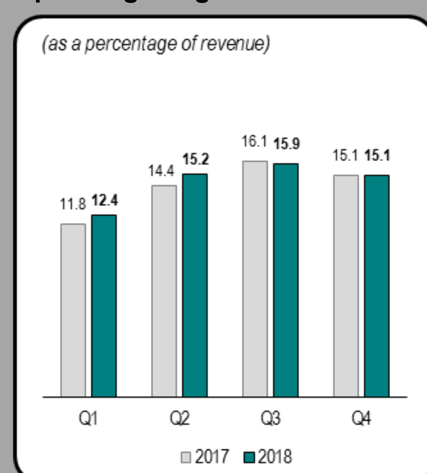
Revenue



OIBDA



Operating Margin[1]



General economic activity is the main driver of demand levels for our Trucking/Logistics segment. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services. Early estimates indicate that Canada's GDP expanded by 0.3 percent in October after experiencing

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

annualized growth of 2.0 percent in the third quarter. The U.S. economy continues to grow at a healthy pace leading to increased demand for North American freight services. It is estimated that the U.S. economy expanded by 2.8 percent in the fourth quarter after growing by 3.4 percent in the third quarter.

Revenue

Q4 Revenue – Trucking/Logistics **Three month periods ended December 31** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**146.9**	**66.9**	137.4	66.5	9.5	6.9
Contractors	**72.6**	**33.0**	69.0	33.4	3.6	5.2
Other	**0.2**	**0.1**	0.2	0.1	—	—
Total	**219.7**	**100.0**	206.6	100.0	13.1	6.3

The Trucking/Logistics segment generated $219.7 million of revenue in the fourth quarter, which was the highest level of fourth quarter segment revenue on record and represented 65.8 percent of pre-consolidated revenue as compared to 69.8 percent in 2017. Revenue increased by a $13.1 million, or 6.3 percent, to $219.7 million as compared to $206.6 million in 2017 due to $7.9 million of incremental revenue related to our recent acquisitions as well as a $5.2 million rise in fuel surcharge revenue being partially offset by a decline in revenue experienced by Smook due to the timing of certain projects. Fuel surcharge revenue rose to $22.9 million. Excluding acquisitions, the change in fuel surcharge revenue and the decline experienced by Smook, the Trucking/Logistics segment revenue rose by $2.5 million. Some of the specific factors that impacted revenue in the fourth quarter were the following:

- The regional LTL business improved by 5.0 percent during the quarter due to revenue gains at Hi-Way 9 and Gardewine. Our six regional LTL Business Units[1] generated revenue of $105.9 million as compared to $101.0 million in 2017.

- Truckload revenue increased by $7.6 million due to the combination of the $7.9 million of incremental revenue generated by our recent acquisitions as well an increase in demand for truckload services and rate increases achieved earlier in the year. The nine truckload services Business Units generated $116.9 million in revenue as compared to $109.3 million in 2017.

- Fuel surcharge revenue, excluding the effect of acquisitions, increased to $22.9 million as compared to $17.7 million in 2017.

Revenue related to Company Equipment increased by $9.5 million, or 6.9 percent, to $146.9 million as compared to $137.4 million in 2017 and represented 66.9 percent of segment revenue in the current period as compared to 66.5 percent in 2017. Revenue related to Contractors increased by $3.6 million, or 5.2 percent, to $72.6 million as compared to $69.0 million in 2017 and represented 33.0 percent of segment revenue in the current period as compared to 33.4 percent in 2017.

[1] Our six 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, Grimshaw Trucking L.P. and Bernard Transport Ltd. Although their primary service offering is LTL, they provide many other services including full-truckload, bulk and logistics services. Bernard Transport Ltd. was combined with Hi-Way 9 Group of Companies on January 1, 2019.

Direct Operating Expenses

Q4 Direct Operating Expenses – Trucking/Logistics Three month periods ended December 31 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**38.1**	**25.9**	35.2	25.6	2.9	8.2
Fuel	**15.5**	**10.6**	15.8	11.5	(0.3)	(1.9)
Repairs and maintenance	**16.5**	**11.2**	15.7	11.4	0.8	5.1
Purchased transportation	**23.7**	**16.1**	21.0	15.3	2.7	12.9
Operating supplies	**8.1**	**5.5**	8.4	6.1	(0.3)	(3.6)
Other	**4.2**	**2.9**	4.7	3.5	(0.5)	(10.6)
	106.1	**72.2**	100.8	73.4	5.3	5.3
Contractors	**53.4**	**73.6**	51.0	73.9	2.4	4.7
Total	**159.5**	**72.6**	151.8	73.5	7.7	5.1

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

Total DOE were $159.5 million in the fourth quarter as compared to $151.8 million in 2017. The increase of $7.7 million, or 5.1 percent, was generally in line with the $13.1 million, or 6.3 percent, rise in segment revenue. DOE expressed as a percentage of revenue decreased by 0.9 percent to 72.6 percent as compared to 73.5 percent in 2017.

DOE related to Company Equipment increased by $5.3 million, or 5.3 percent, to $106.1 million as compared to $100.8 million in 2017. In terms of a percentage of revenue, Company expenses decreased by 1.2 percent to 72.2 percent as compared to 73.4 percent in 2017. This was due to lower fuel costs and greater operational efficiencies being somewhat offset by higher purchased transportation costs at Gardewine due to sudden market share gains during the quarter as a result of the purchase of a customer list from a competitor exiting certain lanes.

Contractors expense in the fourth quarter increased by $2.4 million to $53.4 million as compared to $51.0 million in 2017. This increase was generally in proportion to the $3.6 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 0.3 percent to 73.6 percent as compared to 73.9 percent in 2017 due to our ability to pass on increased cost in an otherwise tight subcontractor market.

Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Trucking/Logistics Three month periods ended December 31 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**16.3**	**7.4**	14.0	6.8	2.3	16.4
Communications, utilities and general supplies	**6.7**	**3.0**	6.0	2.9	0.7	11.7
Profit share	**2.2**	**1.0**	2.1	1.0	0.1	4.8
Foreign exchange	**(0.8)**	**(0.4)**	—	—	(0.8)	100.0
Rent and other	**2.6**	**1.3**	1.5	0.7	1.1	73.3
Total	**27.0**	**12.3**	23.6	11.4	3.4	14.4

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

S&A expenses were $27.0 million in the fourth quarter as compared to $23.6 million in 2017. The increase of $3.4 million was primarily due to the $2.5 million of incremental S&A expenses associated with the acquisitions, most notably a rise in rent expense. This increase was somewhat offset by a $0.8 million positive variance on foreign exchange. S&A expenses as a percentage of segment revenue increased to 12.3 percent as compared to 11.4 percent in 2017 due to acquisitions, primarily related to rent and wages and benefits expenses increases.

Operating Income Before Depreciation and Amortization

OIBDA for the fourth quarter increased by $2.0 million, or 6.4 percent, to $33.2 million as compared to $31.2 million generated in 2017. This is the highest level of OIBDA achieved for any fourth quarter on record. The majority of this rise in OIBDA, specifically $1.8 million, was due to increases at our LTL Business Units while acquisitions accounted for $0.9 million of incremental growth. These increases were partially offset by lower OIBDA generated by Smook due to the timing of certain projects.

Operating margin[1] remained constant at 15.1 percent due to rate increases secured earlier in the year that more than offset the rise in inflationary costs and lower margin generated by acquisitions, which are classified as asset light. Asset light logistics operations typically generate lower margins but require little up-front capital costs.

Capital Expenditures

Net capital expenditures[1] were $14.1 million in the fourth quarter, an increase of $10.6 million as compared to $3.5 million in 2017. The Trucking/Logistics segment had gross capital expenditures of $15.3 million and dispositions of $1.2 million for net capital expenditures[1] of $14.1 million in 2018. Capital was invested to purchase trucks and trailers as well as various pieces of operating equipment to support growth opportunities and to replace older equipment with newer more cost efficient equipment. In 2017 gross capital expenditures were $4.6 million and dispositions were $1.1 million for net capital expenditures[1] of $3.5 million.

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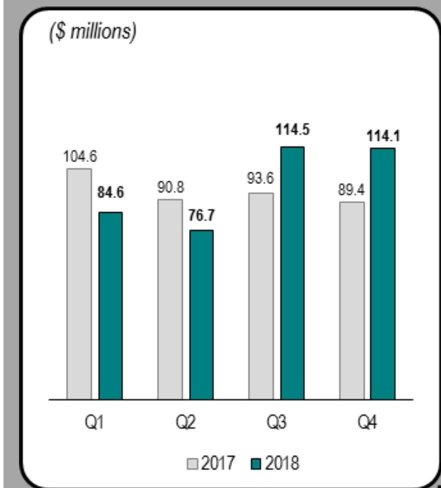
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

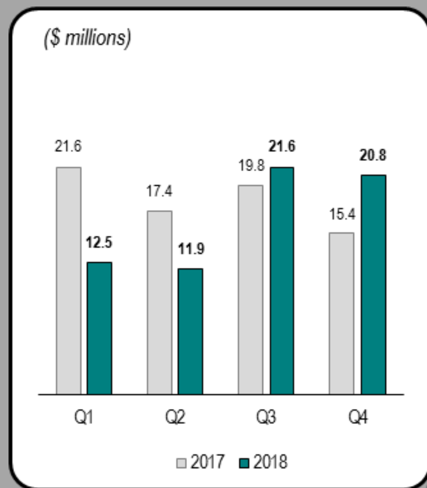
OILFIELD SERVICES SEGMENT

Summary – Trailing Eight Quarters

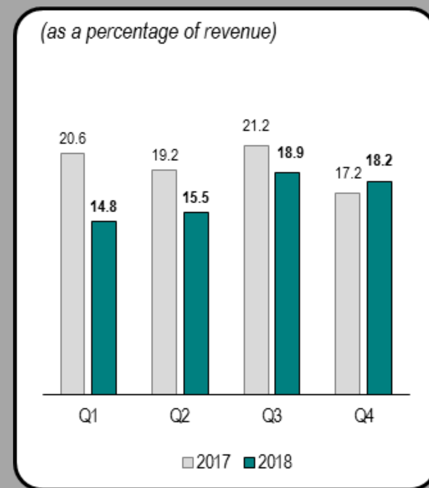
Revenue



OIBDA



Operating Margin[1]



Industry Statistics

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 in the quarter as compared to the prior year and suffered from a sharp decline in December 2018. Industry statistics indicate that the average active rig count for the quarter was 177 rigs during 2018 as compared to 204 active rigs in 2017, a decrease of 27 rigs or 13.2 percent and exited the year with only 68 active rigs. Total wells drilled decreased by 3.2 percent to 1,674 wells drilled in the quarter as compared to 1,729 wells drilled in 2017. The length of metres drilled also decreased by 1.8 percent during the current quarter to 4.79 million metres as compared to 4.88 million metres in 2017. 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 December 31			
	2018	**2017**	**# Change**	**% Change**
British Columbia	**104**	157	(53)	(33.8)
Alberta	**870**	1,004	(134)	(13.3)
Saskatchewan	**626**	503	123	24.5
Manitoba	**74**	65	9	13.8
Northwest Territories	**—**	—	—	—
Total	**1,674**	1,729	(55)	(3.2)

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

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

Revenue

Q4 Revenue – Oilfield Services Three month periods ended December 31 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	%	$	%	$	%
Company	**86.8**	**76.1**	63.9	71.5	22.9	35.8
Contractors	**26.8**	**23.5**	25.0	28.0	1.8	7.2
Other	**0.5**	**0.4**	0.5	0.5	—	—
Total	**114.1**	**100.0**	89.4	100.0	24.7	27.6

Segment revenue increased by $24.7 million, or 27.6 percent, to $114.1 million as compared to $89.4 million in 2017 and represented 34.2 percent of pre-consolidated revenue as compared to 30.2 percent in 2017. The rise in revenue can be attributed to the $21.3 million of incremental revenue related to the acquisitions of AECOM ISD and Canadian Hydrovac and improved revenue generated by those Business Units providing specialized services. This increase was partially offset by the decline in drilling activity in the WCSB. Some of the specific factors that impacted revenue in the fourth quarter were the following:

- a $19.6 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 $12.1 million increase in revenue generated by those Business Units providing specialized services, primarily due to a $5.8 million increase in revenue at Premay Pipeline, a provider of pipeline hauling and stringing services as well as the acquisition of Canadian Hydrovac;

- a $6.4 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity primarily due to revenue declines at our pipe and tubular Business Units, which can be attributed to the changing competitive landscape and reduced drilling activity; and

- a $0.1 million decrease in revenue generated by those Business Units providing drilling services due to slightly increased demand for conductor pipe setting services.

Revenue related to Company Equipment accounted for the majority of the segment revenue growth, increasing by $22.9 million, or 35.8 percent, to $86.8 million as compared to $63.9 million in 2017. Company Equipment revenue represented 76.1 percent of segment revenue in the current period as compared to 71.5 percent in 2017. Revenue related to Contractors increased by $1.8 million, or 7.2 percent, to $26.8 million as compared to $25.0 million in 2017 and represented 23.5 percent of segment revenue in the current period as compared to 28.0 percent in 2017.

Direct Operating Expenses

Q4 Direct Operating Expenses – Oilfield Services Three month periods ended December 31 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**24.5**	**28.2**	15.7	24.6	8.8	56.1
Fuel	**7.7**	**8.9**	5.6	8.8	2.1	37.5
Repairs and maintenance	**13.8**	**15.9**	11.9	18.6	1.9	16.0
Purchased transportation	**1.1**	**1.3**	0.3	0.5	0.8	266.7
Operating supplies	**9.2**	**10.6**	7.0	11.0	2.2	31.4
Other	**2.5**	**2.8**	2.2	3.3	0.3	13.6
	58.8	**67.7**	42.7	66.8	16.1	37.7
Contractors	**21.1**	**78.7**	19.7	78.8	1.4	7.1
Total	**79.9**	**70.0**	62.4	69.8	17.5	28.0

**as a percentage of respective Oilfield Services revenue*

DOE increased by $17.5 million, or 28.0 percent, to $79.9 million in the fourth quarter as compared to $62.4 million in 2017 due to a $24.7 million, or 27.6 percent, rise in segment revenue. Other specific factors impacting DOE in the quarter were:

- higher wages and benefits expense due to the operating nature of our acquisitions; 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 0.2 percent to 70.0 percent as compared to 69.8 percent in 2017.

DOE associated with Company Equipment in the fourth quarter increased to $58.8 million as compared to $42.7 million in 2017. The increase of $16.1 million, or 37.7 percent, was directly related to the $22.9 million, or 35.8 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 0.9 percent to 67.7 percent as compared to 66.8 percent in 2017, primarily due to higher wages and benefits expense that rose by 3.6 percent due to the operating nature of our most recent acquisitions. This increase was partially offset by cost control initiatives that were implemented during the quarter.

Contractors expense in the fourth quarter increased by $1.4 million to $21.1 million as compared to $19.7 million in 2017. This increase was generally in line with the increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense remained relatively stable at 78.7 percent as compared to 78.8 percent in 2017.

Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Oilfield Services Three month periods ended December 31 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**7.1**	**6.2**	6.1	6.8	1.0	16.4
Communications, utilities and general supplies	**3.8**	**3.3**	3.6	4.0	0.2	5.6
Profit share	**1.4**	**1.2**	0.9	1.0	0.5	55.6
Rent and other	**1.1**	**1.0**	1.0	1.2	0.1	10.0
Total	**13.4**	**11.7**	11.6	13.0	1.8	15.5

**as a percentage of total Oilfield Services revenue*

S&A expenses were $13.4 million in the fourth quarter as compared to $11.6 million in 2017. The $1.8 million increase was attributable to the $1.9 million of incremental S&A expenses related to acquisitions. S&A expenses as a percentage of segment revenue declined to 11.7 percent in comparison to 13.0 percent in 2017, primarily due to the fixed nature of these expenses relative to the 27.6 percent increase in segment revenue.

Operating Income Before Depreciation and Amortization

OIBDA in the fourth quarter increased by $5.4 million, or 35.1 percent, to $20.8 million as compared to $15.4 million in 2017. Operating margin[1] increased to 18.2 percent in the fourth quarter as compared to 17.2 percent in 2017, primarily due to lower S&A expenses as a percentage of revenue. Some of the specific factors that impacted OIBDA in the fourth quarter were the following:

- a $4.3 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $4.2 million increase in those Business Units providing specialized services such as large diameter pipe stockpiling and stringing services as well as water management services;
- a $3.1 million decrease in those Business Units tied to drilling related activity including pipe handling and storage; and
- a $0.1 million decrease in OIBDA relating to those Business Units involved in drilling services including conductor pipe setting.

Capital Expenditures

Net capital expenditures[1] were $5.1 million in the fourth quarter, an increase of $7.0 million as compared to $(1.9) million in 2017. The Oilfield Services segment had gross capital expenditures of $7.0 million and dispositions of $1.9 million for net capital expenditures[1] of $5.1 million in 2018. Capital was invested to support growth opportunities for Envolve, to replace trucks and trailers at Premay Pipeline and to purchase hydrovac equipment at Canadian Hydrovac. In 2017 gross capital expenditures were $3.3 million and dispositions were $5.2 million for net capital expenditures[1] of $(1.9) million.

CORPORATE

The Corporate Office recorded a loss of $2.3 million in the fourth quarter of 2018 as compared to a loss of $0.6 million in 2017. The $1.7 million increase in loss was mainly attributable to lower income generated from real estate holdings and from higher salary costs associated with the new retention plan for corporate personnel and Business Unit leaders. In the fourth quarter of 2018, the Corporate Office recorded a foreign exchange gain of $0.2 million as compared to a foreign exchange gain of $0.1 million in 2017.

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

SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

Revenue and profitability within the 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.

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 typically 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]	2018				2017			
(unaudited)		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
($ millions, except per share amounts)	**$**	$	**$**	**$**	**$**	**$**	$	$	$
Revenue	**1,260.8**	333.3	**339.7**	**295.7**	**292.1**	**296.1**	283.9	273.6	284.9
Operating income before depreciation and amortization	**189.0**	51.7	**55.1**	**44.3**	**37.9**	**46.0**	44.7	39.8	41.7
Operating income before depreciation and amortization – adjusted[2]	**188.7**	51.5	**55.3**	**44.1**	**37.8**	**45.9**	49.2	42.3	42.7
Net income (loss)	**(43.8)**	(81.1)	**21.9**	**13.9**	**1.5**	**5.4**	26.0	19.6	14.5
Earnings (loss) per share									
Basic	**(0.42)**	(0.77)	**0.21**	**0.13**	**0.01**	**0.05**	0.25	0.19	0.14
Diluted	**(0.42)**	(0.77)	**0.21**	**0.13**	**0.01**	**0.05**	0.25	0.19	0.14
Other Information									
Net foreign exchange loss (gain)	**8.5**	2.2	**(1.8)**	**1.9**	**6.2**	**1.3**	(11.3)	(9.4)	(2.3)
Decrease (increase) in fair value of investments	**3.1**	1.7	**0.3**	**(0.4)**	**1.5**	**(0.6)**	0.1	0.2	1.0

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

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

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

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

Consolidated revenue in the first quarter improved from the prior year with record Trucking/Logistics segment revenue being partially offset by a reduction in Oilfield Services segment revenue. Consolidated revenue in the first quarter of 2018 increased by $7.2 million, or 2.5 percent, to $292.1 million as compared to $284.9 million in 2017. The increase of $7.2 million was primarily due to $26.6 million of additional revenue generated by the Trucking/Logistics segment being partially offset by a $20.0 million decrease in the Oilfield Services segment. Revenue in the Trucking/Logistics segment increased by $26.6 million during the quarter due to the incremental revenue generated from the recent acquisitions, market share gains, an increase in demand for freight services in western Canada and from greater fuel surcharge revenue. Revenue generated by the Oilfield Services segment decreased by $20.0 million due to the decline in demand for large diameter pipeline hauling and stringing and dewatering services, lower revenue being generated by those Business Units providing drilling and drilling related services and from a reduction in heavy haul services. These decreases were somewhat offset by improved demand for fluid hauling and the incremental revenue generated from the acquisition of Envolve. Net income in the first quarter of 2018 was $1.5 million, a decrease of $13.0 million from the $14.5 million of net income generated in 2017. The $13.0 million decrease in net income was mainly attributable to an $8.5 million negative variance in foreign exchange, a $3.8 million decrease in OIBDA, a $1.5 million negative variance in the gain on fair value of equity investment and a $1.3 million increase in amortization and depreciation. These decreases were partially offset by a $2.2 million decrease in finance costs. As a result, basic earnings per share in the first quarter of 2018 was $0.01, a decrease of $0.13, from the $0.14 of earnings per share generated in 2017.

TRANSACTIONS WITH RELATED PARTIES

Key Management Personnel Compensation

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

($ millions)	**Years Ended December 31**			
Category		**2018**		**2017**
Salaries and benefits (including profit share)	**$**	**1.5**	$	1.4
Share-based payments		**0.1**		0.1
Total	**$**	**1.6**	$	1.5

There are no outstanding amounts owing to or amounts receivable from directors and officers as at December 31, 2018 and 2017, with respect to the overall compensation program for the executives. As at December 31, 2018, directors and officers of Mullen Group collectively held 5,498,699 Common Shares (2017 – 6,291,074) representing 5.3 percent (2017 – 6.1 percent) of all Common Shares of the Corporation.

Related Party Transactions

During the year, we generated revenue of $8,000 (2017 – $0.1 million) and incurred expenses of $6,000 (2017 – $16,000) with entities that are related by virtue of a certain Board member having control or joint control over the other entities. There were no accounts receivable amounts due from these related parties as at December 31, 2018.

During the year, we generated revenue of $3.0 million (2017 – $2.0 million), incurred expenses of $0.2 million (2017 – $0.1 million) and sold $0.1 million (2017 – $0.1 million) of property, plant and equipment with our equity investees, which are accounted for by the equity method of accounting. As at December 31, 2018, there was $0.4 million (2017 – $0.1 million) of accounts receivable amounts due from our equity investees, excluding debentures. Mullen Group had $8.9 million (10.0 percent annual interest rate) and $3.2 million (8.5 percent annual interest rate) of debentures owing from Thrive and PCX, respectively. Interest is calculated and payable semi-annually. The debentures with Thrive mature in September 2019, while the PCX debenture matures in December 2020.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

STRATEGIC RISKS:	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

STRATEGIC RISKS:

Geopolitical Risks:

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

Risk Description & Trend

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

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

Potential Impact

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

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

Mitigation

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

Geopolitical Risks – General Economy:

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

Risk Description & Trend

Mullen Group is a significant provider of trucking and logistics services to customers throughout North America. Our results are affected by the state of the economy and trade patterns, both in North America and globally, and the associated demand for freight transportation and logistics services. Trade disruptions, or events like the amendment or cancellation of the United States – Mexico – Canada Agreement ("**USMCA**"), may pose a substantial risk to Mullen Group.

Trend: In our opinion, the overall health of the North American economy appears to be sound with moderate growth expectations for the next twelve months. The USMCA was agreed to by the respective partners providing for a degree of trade stability.

Potential Impact

General economic activity is the main driver of demand levels for our Trucking/Logistics segment. A decline or uncertainty with regard to the health of the North American economy or trade patterns could have a material adverse effect on the operations of our Trucking/Logistics segment and, to a lesser degree, our Oilfield Services segment (to the extent that the economy affects commodity pricing with respect to oil and gas, in particular), and our overall financial condition.

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

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

Mitigation

In consideration of this risk, we service an extensive customer base from diverse industries covering a broad geographic area. In addition, we actively manage the mix of Company Equipment and Contractors we use to service our customers. During periods of peak demand, we tend to use a higher volume of Contractors, which yield lower margins, but protects us from the downside risk and fixed costs associated with a larger fleet of Company Equipment during periods of lower demand.

In our opinion, these diversification and operating strategies ensure, as much as possible, that we are not overly exposed to any single economic trend.

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

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

Risk Description & Trend

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

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

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

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

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

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

<u>Trend:</u> Western Canadian resources are subject to price differentials. Oil prices have collapsed in the fourth quarter of 2018, including the price of Western Canadian Select that fell to a low of U.S. $11.43 per barrel. Prices have since rebounded, however, downside risks remain. Low prices and the Alberta government mandated curtailments have caused Canadian E&Ps to reduce their capital expenditures for 2019. Due to the relatively low price environment, further oil sands expansion is unlikely at this time. Natural gas prices, specifically Alberta Energy Company ("**AECO**") pricing, remain weak and volatile. Lower near term pricing has caused many natural gas producers to restrict their capital budgets for operating in the WCSB for the 2018/19 winter drilling season.

Potential Impact

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

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

Mitigation

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

Geopolitical Risk – Changes in the Legal Framework:

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

Risk Description:

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

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

Potential Impact

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

Mitigation

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

E-Commerce and Supply Chain Evolution:

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

Risk Description & Trend

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

Trend: E-commerce sales continue to grow and the pace of innovation continues.

Potential Impact

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

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

Mitigation

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

Acquisitions:

Our company strategy includes pursuing selected and strategic acquisitions focused primarily on the two segments of the economy where we have strong market penetration and customer relationships, namely, the transportation and distribution of freight within North America and the oil and gas services industry; however, we may not be able to execute or integrate future acquisitions successfully.

Risk Description & Trend

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

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

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

Trend: Opportunities for acquisitions continue. In 2018 we successfully acquired five new businesses for total consideration of $53.2 million as compared to six new businesses in 2017 for total consideration of $46.2 million[1].

Potential Impact

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

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

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

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

Mitigation

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

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

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

[1] Includes the repayment of shareholders' loans.

Competition:

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

Risk Description & Trend

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

Trend: North American freight volumes and economic growth improved during 2018 resulting in pricing leverage in the spot market and general rate increases. Economic activity and freight volumes began to moderate during the fourth quarter. This moderation, combined with increased industry capacity, caused freight rates in the spot market to drop. The economy continues to grow, albeit at a more moderate pace. As such, there is no certainty that freight rates will improve in 2019.

Potential Impact

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

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

Mitigation

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

In certain aspects of our business, we believe we have competitive advantages such as lower overhead costs and specialized regional strengths.

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

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FINANCIAL RISKS

Foreign Exchange Rates:

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

Risk Description & Trend

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

Trend: Foreign exchange rates between the U.S. and Canadian dollar remain volatile. During 2018 the exchange rate fluctuated between \$0.8138 and \$0.7330 closing the year at \$0.7330 as compared to \$0.7971 at December 31, 2017.

Potential Impact

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

At December 31, 2018, we also had U.S. dollar cash of \$7.4 million, U.S. dollar trade receivables of \$6.4 million and U.S. dollar trade payables and accrued liabilities of \$2.3 million.

Mitigation

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

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

Investments:

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

Risk Description & Trend

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

Trend: In 2018 we recorded a decrease in the fair value of investments of \$3.1 million. There were no investments sold during the year.

Potential Impact

Our investments in public companies are measured at fair value and have an initial cost of \$18.5 million. At December 31, 2018, the fair value of these investments was \$2.8 million.

We use the equity method to account for investments in private companies in which we have significant influence or joint control. At December 31, 2018, the carrying value of these investments totalled \$33.5 million and consisted of the investments in Canol Oilfield Services Inc., Kriska Transportation, Cordova Oilfield Services Ltd., Butler Ridge Energy Services (2011) Ltd., Thrive and PCX.

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

Mitigation

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

Access to Financing:

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

Risk Description & Trend

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

Trend: At December 31, 2018, our debt covenant leverage ratio was 2.46 as compared to 2.40 in 2017.

Potential Impact

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

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

Mitigation

We manage our cash flows diligently to ensure that we maintain what we believe is a suitable level of liquidity and leverage. Our approach to managing liquidity is to ensure, to the extent possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions. Consistent with others in the industry, we monitor capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by shareholders' equity. Total debt is calculated as the total of: current portion of long-term debt, long-term debt and the debt component of Debentures. Equity is comprised of share capital, convertible debentures – equity component, contributed surplus and retained earnings. The debt-to-equity ratio calculation at December 31, 2018, was 0.57:1 (2017 – 0.55:1).

Reliance on Major Customers:

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

Risk Description & Trend

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

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

Trend: In 2018 our top ten customers accounted for 15.9 percent of revenue (2017 – 16.9 percent), and the largest customer accounted for approximately 3.6 percent (2017 – 3.2 percent) of such revenue.

Potential Impact

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

Mitigation

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

Impairment of Goodwill or Intangible Assets:

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

Risk Description & Trend

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

Trend: In 2018 our goodwill and intangible assets accounted for $315.6 million, or 19.2 percent of our total assets as compared to $404.0 million, or 23.1 percent of total assets in 2017.

Potential Impact

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

Changes in government regulations, or economic or market conditions have resulted and may result in further substantial impairments of our goodwill or intangible assets. In 2018 Mullen Group recognized a $100.0 million goodwill impairment charge. As at December 31, 2018, we had goodwill of $265.3 million and intangible assets of $50.3 million. An impairment charge would result in lower net income, however, our cash flows and debt covenant calculations would remain unaffected. Our impairment testing in 2017 produced no indication of impairment. The results of our impairment evaluations, assumptions and sensitivities can be found on page 79.

Mitigation

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

Credit Risk:

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

Risk Description & Trend

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

Trend: In 2018 accounts receivable were $218.1 million comprised of $84.4 million within our Oilfield Services segment, $124.0 million within our Trucking/Logistics segment and $9.7 million within the Corporate Office.

Potential Impact

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

Mitigation

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units' review consists of external ratings, when available, and in some cases bank and trade references. Our Corporate Office has established a credit policy under which new customers are analyzed for creditworthiness before credit is extended. Corporate Office monitors its trade and other receivables aging on an ongoing basis and communicates concerns to all of our Business Units as part of its process in managing its credit risk. We also manage credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. We also attend industry forums to assess credit worthiness of customers related predominately to the oil and gas industry. No individual customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2018 and 2017.

Interest Rates:

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

Risk Description & Trend

We are susceptible to fluctuations in interest rates. Our Bank Credit Facility is priced at variable rates. At December 31, 2018, $30.0 million had been drawn on the $125.0 million Bank Credit Facility. To the extent we utilize our Bank Credit Facility we incur the risk of interest rates rising. Our Private Placement Debt, the Debentures and the majority of our Various Financing Loans are issued at fixed rates. The majority of our long-term debt, specifically $482.2 million, matures in 2024 and 2026.

Trend: At December 31, 2018, we had $512.2 million (2017 – $540.0 million) of borrowings at an average interest rate of 4.0 percent.

Potential Impact

Borrowings issued at fixed rates, like our Private Placement Debt, expose Mullen Group to fair value interest rate risk. More specifically, we are susceptible to the opportunity costs associated with interest rate decreases considering that the interest rates on the majority of our borrowings are fixed. In theory, assuming all other variables were held constant, if interest rates increased by 1.0 percent on our $512.2 million debt, we would incur additional annual interest expense of approximately $5.1 million upon renewal.

Mitigation

We do not hedge interest rates or have any interest rate swaps, but we have mitigated the negative risk of rising interest rates by financing most of our debt, specifically $482.2 million, at fixed rates.

OPERATIONAL RISKS

Employees and Labour Relations:

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

Risk Description & Trend

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

Trend: At December 31, 2018, we employed 6,435 employees, owner operators and dedicated subcontractors as compared to 5,704 in 2017.

Potential Impact

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

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

Mitigation

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

Cost Escalation and Fuel Costs:

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

Risk Description & Trend

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

Trend: The average wholesale rack price of diesel fuel in Canada for 2018 was $0.8563 per litre as compared to $0.686 per litre in 2017.

Potential Impact

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

Mitigation

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

Potential Operating Risks and Insurance:

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

Risk Description & Trend

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

Trend: Our 2018 total recordable injury frequency rate, a leading indicator of operational excellence, was 3.17 as compared to 3.62 in 2017.

Potential Impact

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

Mitigation

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

Digital Infrastructure and Cyber Security:

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

Risk Description

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

Potential Impact

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

Mitigation

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

Business Continuity, Disaster Recovery and Crisis Management:

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

Risk Description

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

Potential Impact

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

Mitigation

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

Environmental Liability Risks:

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

Risk Description

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

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

Potential Impact

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

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

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

Mitigation

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

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

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

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

Weather and Seasonality:

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

Risk Description & Trend

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

Revenue and profitability within 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.

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

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

Trend: In 2018 revenue was affected by low oilfield activity in the first quarter and acquisitions. Revenue, excluding the effect of acquisitions, was 24.0 percent of total annual revenue in the first and second quarters, respectively and 26.0 percent of total annual revenue in the third and fourth quarters, respectively.

Potential Impact

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

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

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

Mitigation

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

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

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

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

Risk Description

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

Potential Impact

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

Mitigation

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

Regulation:

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

Risk Description

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

Potential Impact

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

Mitigation

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

Litigation:

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

Risk Description

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

Potential Impact

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

Mitigation

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

CRITICAL ACCOUNTING ESTIMATES

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

Impairment tests

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

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

Impairment of Goodwill

In general terms, goodwill represents the excess of the purchase price of a business combination over the net amount of identifiable assets acquired less the liabilities assumed. At December 31, 2018, we performed our annual impairment test for goodwill and concluded that there was impairment of goodwill within certain CGUs in the Oilfield Services segment as the recoverable amount for these CGUs was lower than their respective carrying amount. We recognized a $100.0 million impairment of goodwill in the fourth quarter of 2018 using the following discount and terminal value growth rates within each respective CGU:

($ millions)		Impairment of Goodwill	Discount Rate	Terminal Value Growth Rate
Cash Generating Unit				
Formula Powell L.P.	$	45.6	11.5%	2.5%
Cascade Energy Services L.P.		37.6	12.0%	2.0%
Mullen Oilfield Services L.P.		5.8	12.0%	2.0%
Spearing Service L.P.		5.0	12.0%	2.0%
R. E. Line Trucking (Coleville) Ltd.		3.0	12.0%	2.5%
Withers L.P.		3.0	12.0%	2.0%
Total Impairment of Goodwill	$	100.0		

The impairment of goodwill within these CGUs resulted from the deterioration of the oil and natural gas industry in the fourth quarter of 2018, which led to us revising our projected future cash flows. After recognizing this impairment of goodwill, the recoverable amount of these CGUs equaled its carrying amount, which was $263.1 million. The recording of this impairment of goodwill is recognized as an expense and reduces book equity and net income but does not impact cash flows.

At December 31, 2017, we performed our annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of our CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount.

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

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

	Discount rate		Terminal value growth rate	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Cash Generating Unit				
Gardewine Group Limited Partnership	**10.5%**	10.5%	**2.0%**	2.0%
Formula Powell L.P.	**11.5%**	10.5%	**2.5%**	2.5%
Kleysen Group Ltd.	**10.5%**	11.0%	**2.5%**	2.5%
Cascade Energy Services L.P.	**12.0%**	11.0%	**2.0%**	2.5%
Hi-Way 9 Group of Companies	**11.0%**	11.0%	**2.5%**	2.5%
Heavy Crude Hauling L.P.	**12.0%**	11.0%	**2.0%**	2.5%
Tenold Transportation Ltd.	**11.0%**	11.0%	**2.5%**	2.5%

(i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using constant growth rates of between 1.5 to 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the Business Unit's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.

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

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

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

	Change in discount rate		Change in terminal value growth rate	
	December 31, 2018	**December 31, 2017**	**December 31, 2018**	**December 31, 2017**
Cash Generating Unit				
Gardewine Group Limited Partnership	**5.0%**	4.5%	**(8.6)%**	(7.3)%
Formula Powell L.P.	**0%**	2.6%	**0%**	(4.2)%
Kleysen Group Ltd.	**8.3%**	6.8%	**(16.4)%**	(12.1)%
Cascade Energy Services L.P.	**0%**	0.5%	**0%**	(0.9)%
Hi-Way 9 Group of Companies	**12.7%**	9.3%	**(34.4)%**	(16.5)%
Heavy Crude Hauling L.P.	**1.3%**	3.4%	**(1.9)%**	(5.2)%
Tenold Transportation Ltd.	**11.3%**	1.2%	**(26.9)%**	(1.7)%

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when an intangible asset or a business is acquired and then amortized on a straight-line basis over their estimated life. At December 31, 2018, intangible assets totalled $50.3 million (2017 – $40.6 million). Property, plant and equipment are mainly comprised of trucks and trailers, land and buildings. The net book value of property, plant and equipment at December 31, 2018, was $965.7 million (2017 – $916.1 million).

Acquisitions

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

Property, plant and equipment and intangible assets

Property, plant and equipment are initially recognized at cost and include all expenditures directly attributable to bringing the asset to its intended use. The method and rates used in calculating depreciation of property, plant and equipment is an estimate. We calculate depreciation of property, plant and equipment using the declining balance method for the majority of our assets. Effective January 1, 2018, we began recording depreciation expense on specialty equipment within the Oilfield Services segment using a rate of 20.0 percent under the declining balance method as opposed to using a rate of 10.0 percent under the declining balance method in prior years. For more information refer to the section on "Changes in Accounting Estimate" on page 84. No other changes were made to the methods or rates we used to estimate depreciation expense on property, plant and equipment during the past two years.

We believe the methods and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last ten years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time. At December 31, 2018, the Oilfield Services segment had a carrying value of property, plant, and equipment of $294.4 million (2017 – $286.5 million) compared to $208.9 million (2017 – $183.9 million) in the Trucking/Logistics segment.

Intangible assets are amortized on a straight line basis over a period of five to ten years. Mullen Group determines the length of the amortization period at the date of acquisition. The method used in determining the amortization period is based upon the anticipated present value of future cash flows generated from customer relationships purchased on acquisitions. At December 31, 2018, the Trucking/Logistics segment had a carrying value of intangible assets of $37.1 million (2017 – $30.3 million) as compared to $13.2 million (2017 – $10.3 million) in the Oilfield Services segment.

Derivative Financial Instruments

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

Trade and other receivables

Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are based on historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, we review external credit ratings as well as bank and trade references when available. At December 31, 2018, we recognized a reserve for bad debts of $5.9 million (2017 – $4.4 million) against total gross trade and other receivables of $224.0 million (2017 – $179.7 million).

Income Taxes

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

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by the IASB.

The following outlines the new accounting pronouncements issued by the IASB that are applicable to, or may have a future impact on, our organization. The new pronouncements set forth below are effective for financial statements with annual periods beginning on or after January 1, 2019.

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 will recognize lease liabilities related to its lease commitments. These lease liabilities will be 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 ("**ROU**") assets will be measured at the lease liability amount on January 1, 2019 resulting in no adjustment to the opening balance of retained earnings. The Corporation intends to use 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;

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

As at January 1, 2019, Mullen Group expects that the adoption of IFRS 16 – Leases will result in the recognition of ROU assets and lease liabilities of approximately $42.2 million.

Changes in Accounting Policies

IFRS 15 – Revenue From Contracts With Customers

Effective January 1, 2018, we adopted IFRS 15 – Revenue from Contracts with Customers using the retrospective method with the cumulative effect of adopting this standard as an adjustment to the opening balance of retained earnings. We did not adjust the opening balance of retained earnings as at January 1, 2018, given the $116,000 adjustment in adopting IFRS 15 – Revenue from Contracts with Customers was insignificant. Comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Mullen Group recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

Our primary service offering is the transportation of goods. The transportation of goods involves the physical process of transporting commodities and goods from point of origin to destination using company equipment and contracted owner operators. Each individual Business Unit offers published rates or signed master service agreements with specific customers that dictate future services it is to perform for a customer at the time a bill of lading or service request is received. Each bill of lading represents a separate distinct performance obligation that the company is obligated to satisfy. The transaction price is generally in the form of a fixed fee determined at the inception of the bill of lading. Transportation services revenue is recognized using the "over time" method.

Our second highest revenue stream is logistics services. Logistics services involves the planning, implementing, and controlling the efficient, effective forward and reverse transport of goods. These services are governed by contract law. Mullen Group uses third parties ("**Subcontractors**") to perform the work. Subcontractors have their own insurance and operating authorities. When we hire a Subcontractor, we remain the primary obligor, have the ability to set prices, retain the risk of loss in the event of a cargo claim and bear the credit risk of customer default. As such, we act as the principal of the arrangement and recognize revenue on a gross basis. Logistics services revenue is recognized using the "point in time" method.

In addition, we offer a multitude of oilfield and other services. The following table summarizes the revenue recognition method:

Service offering	
Transportation	Over time
Logistics	Point in time
Rental[(1)]	Over time
Sales of products	Point in time
Construction	Over time
Others	Point in time

[(1)] Rental revenue is recognized in accordance with IAS 17 – Leases.

IFRS 9 – Financial Instruments

Mullen Group early adopted IFRS 9 (2010) – Financial Instruments as of January 1, 2010 as it was consistent with our objective and approach to managing our financial assets and financial liabilities. Effective January 1, 2018, we adopted the recent amendments made to IFRS 9 (2010), which did not result in a material change to our consolidated financial statements.

We apply an expected credit loss approach in determining provisions for financial assets (other than equity instruments) carried at amortized cost or fair value through net income and total comprehensive income. The approach that we have taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased. On transition to the amendments made to the standard, there was not a material change in the amount of provision recognized.

Change in Accounting Estimate

Property, Plant and Equipment and Depreciation

Effective January 1, 2018, we began recording depreciation expense on specialty equipment within the Oilfield Services segment using a rate of 20.0 percent under the declining balance method as opposed to using a rate of 10.0 percent under the declining balance method in prior years. This change in estimate has been applied on a prospective basis and resulted in a $4.3 million increase in depreciation of property, plant and equipment for the year ended December 31, 2018. This change in estimate is based upon the revised estimated useful life of such equipment. The effect of this change in estimate on future periods depends on future capital expenditures and disposals made on specialty equipment. Assuming no capital expenditures and disposals are made on specialty equipment, depreciation of property, plant and equipment is expected to increase by approximately $4.0 million per annum.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at December 31, 2018, an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and the CFO concluded that, as at December 31, 2018, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

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

Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at December 31, 2018, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at December 31, 2018 there was no change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

FORWARD-LOOKING INFORMATION STATEMENTS

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

- Mullen Group's comment that we are taking a reasonably constructive view in our outlook and business plan for 2019 and that we believe 2019 will be a good year for the Mullen Group, as referred to in the Executive Summary section beginning on page 7. This forward-looking statement is based on the assumption that the general economy, while not robust, is expected to show modest gains. Unfortunately, the oil and natural gas sector of the economy, especially drilling activity in western Canada, will underperform for at least the first half of the year. The fourth quarter meltdown will be devastating on the service industry in Canada.

- Mullen Group's comment that there are ample reasons to believe that 2019 could be a challenging year, as referred to in the Outlook section beginning on page 10. This forward-looking statement is based upon the concerns related to the recent market meltdown, most notably for the oil and natural gas sector of the economy which has clearly entered another downturn.

- Mullen Group's comment that we expect our Trucking/Logistics segment to have another solid year, as referred to in the Outlook section beginning on page 10. This forward-looking statement is based on the assumption that the fundamentals associated with the strong employment numbers, continued government spending, including a willingness to deficit finance, along with growth in the world economy, and more importantly the U.S. economy, will provide sufficient stimulus to keep the Canadian economy growing modestly.

- Mullen Group's comment that the outlook for our Oilfield Services segment is uncertain at this time, as referred to in the Outlook section beginning on page 10. This forward-looking statement is based on the assumption of the near-term cash flow challenges the oil and natural gas producers are facing.

- Mullen Group's comment that drilling programs and capital investment will be curtailed at least for the first half of 2019, as referred to in the Outlook section beginning on page 10. This forward-looking statement is based on the assumption that the recent increase in crude oil and the narrowing of Canadian crude oil differentials, the potential exists for stronger activity levels as the year unfolds.

- Mullen Group's approach to 2019 with a plan to set the capital budget at $75.0 million, exclusive of acquisitions; maintain the $0.60 per Common Share annual dividend; generate consolidated revenue of $1.3 billion and achieve operating earnings of $200.0 million with volatility based on how the oil and natural gas sector ultimately performs, as referred to in the Executive Summary section beginning on page 7. This forward-looking statement is based on the assumption that our business model is diversified enough to withstand the volatility of the oilfield services sector and that our balance sheet is well-structured with no scheduled maturities until 2024.

- 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 15. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the monthly dividend.

- Mullen Group's approval of a $75.0 million capital budget for 2019, exclusive of corporate acquisitions and special projects, with $40.0 million allocated towards the Trucking/Logistics segment primarily to replace trucks, trailers and specialized equipment to support the operations of these Business Units, $20.0 million 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, as referred to in the Capital Expenditures section beginning on page 15. 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 18) 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 38. 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 Annual Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to operating margin, OIBDA – adjusted, operating margin – adjusted, 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.

Operating Income Before Depreciation and Amortization – Adjusted

OIBDA – adjusted is a Non-GAAP term and is defined as OIBDA adjusted for the gains and losses recognized on U.S. dollar cash held within the Corporate Office. Management believes OIBDA – adjusted is a useful supplemental measure and provides an indication of our profitability adjusted for the gains and losses recognized on U.S. dollar cash held within the Corporate Office and more clearly reflects our OIBDA from our day to day operations.

Reconciliation of Operating Income Before Depreciation and Amortization to Operating Income Before Depreciation and Amortization – Adjusted

(unaudited) ***($ millions)***	**Three month periods ended December 31**		**Years Ended December 31**	
	2018	**2017**	**2018**	**2017**
Operating income before depreciation and amortization	**$ 51.7**	$ 46.0	**$ 189.0**	$ 172.2
Add (deduct):				
Selling and administrative expenses[(1)]	**(0.2)**	(0.1)	**(0.3)**	7.9
Operating income before depreciation and amortization – adjusted	**$ 51.5**	$ 45.9	**$ 188.7**	$ 180.1

[(1)] *Consists of the foreign exchange (gain) loss recognized on U.S. dollar cash held within the Corporate Office.*

Operating Margin – Adjusted

Operating margin – adjusted is a Non-GAAP term and is defined as OIBDA – adjusted divided by revenue. Management relies on operating margin – adjusted 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 impairment of goodwill, the impact of any net foreign exchange gains and losses, from the change in fair value of investments, the gain on contingent consideration and the gain on fair value of equity investment. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See pages 29 and 52 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

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

(unaudited) *($ millions)*	Three month periods ended December 31				Years ended December 31			
		2018		**2017**		**2018**		**2017**
Purchase of property, plant and equipment	**$**	**31.9**	$	9.3	**$**	**99.7**	$	33.1
Proceeds on sale of property, plant and equipment		**(2.6)**		(6.0)		**(12.2)**		(13.3)
Net capital expenditures	**$**	**29.3**	$	3.3	**$**	**87.5**	$	19.8

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 Debentures). Management calculates net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) *($ millions)*		**December 31, 2018**		**December 31, 2017**
Long-term debt	**$**	**482.2**	$	456.8
Convertible debentures - debt component[1]		**—**		12.4
Total debt		**482.2**		469.2
Less working capital:				
Current assets		**272.1**		358.1
Current liabilities (excluding convertible debentures – debt component[1])		**(140.4)**		(164.1)
Total working capital		**131.7**		194.0
Net debt	**$**	**350.5**	$	275.2

[1] The Debentures matured on July 1, 2018. Each $1,000 of Debentures were convertible into 93.2 Common Shares of Mullen Group (or a conversion price of $10.73). In 2018, 10,900 Debentures were converted into 1,037,323 Common Shares and the remaining 1,545 Debentures were repaid in cash.

Total Net Debt

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

(unaudited) ($ millions)		**December 31, 2018**
Private Placement Debt (including current portion)	**$**	**482.2**
Various Financing Loans		—
Bank Credit Facility		**30.0**
Letters of credit		**4.1**
Total debt		**516.3**
Less: unrealized gain on Cross-Currency Swaps		**(42.2)**
Add: unrealized loss on Cross-Currency Swaps		—
Total net debt	**$**	**474.1**

Cash Flow per Share

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

	Three month periods ended December 31				**Years ended December 31**			
(unaudited) ($ millions, except share and per share amounts)		**2018**		**2017**		**2018**		**2017**
Net cash from operating activities	**$**	**56.5**	$	58.3	**$**	**140.7**	$	142.1
Weighted average number of Common Shares outstanding		**104,824,973**		103,654,316		**104,273,508**		103,654,316
Cash flow per share	**$**	**0.54**	$	0.56	**$**	**1.35**	$	1.37

Mullen Group Ltd.

DECEMBER 31, 2018

ANNUAL FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT

pwc

Independent auditor's report

To the Shareholders of Mullen Group Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mullen Group Ltd. and its subsidiaries, (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2018 and 2017;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, which we obtained prior to the date of this auditor's report and the Chairman's Message, which is expected to be made available to us after that date.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers LLP

Chartered Professional Accountants

February 6, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands)	Note		December 31 2018		December 31 2017
Assets					
Current assets:					
Cash and cash equivalents	**6**	**$**	**3,916**	$	134,533
Trade and other receivables	**7**		**218,089**		175,303
Inventory	**8**		**33,878**		30,204
Prepaid expenses			**11,838**		10,696
Current tax receivable			**4,404**		7,370
			272,125		358,106
Non-current assets:					
Property, plant and equipment	**9**		**965,683**		916,140
Goodwill	**10**		**265,277**		363,350
Intangible assets	**11**		**50,270**		40,609
Investments	**12**		**36,269**		33,755
Deferred tax assets	**18**		**9,187**		4,580
Derivative financial instruments	**13**		**42,211**		25,627
Other assets	**14**		**4,830**		8,490
			1,373,727		1,392,551
Total Assets		**$**	**1,645,852**	$	1,750,657
Liabilities and Equity					
Current liabilities:					
Bank indebtedness	**6, 19**	**$**	**30,000**	$	—
Accounts payable and accrued liabilities	**15**		**99,276**		88,221
Dividends payable	**16**		**5,241**		3,110
Current tax payable			**5,905**		2,016
Convertible debentures – debt component	**17**		**—**		12,393
Current portion of long-term debt	**19**		**—**		70,781
			140,422		176,521
Non-current liabilities:					
Long-term debt	**19**		**482,185**		456,799
Asset retirement obligations			**1,044**		972
Deferred tax liabilities	**18**		**124,125**		126,634
			607,354		584,405
Equity:					
Share capital	**20**		**946,910**		933,303
Convertible debentures – equity component	**17**		**—**		550
Contributed surplus			**15,477**		13,807
Retained earnings (deficit)			**(64,311)**		42,071
			898,076		989,731
Total Liabilities and Equity		**$**	**1,645,852**	$	1,750,657

The notes which begin on page 97 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on February 6, 2019, after review by the Audit Committee.

"Signed: Murray K. Mullen"

Murray K. Mullen, Director

"Signed: Philip J. Scherman"

Philip J. Scherman, Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands, except per share amounts)	Note	Years ended December 31 2018		2017
Revenue	**22**	**$**	**1,260,798**	$ 1,138,489
Direct operating expenses			**902,813**	811,378
Selling and administrative expenses			**168,970**	154,953
Operating income before depreciation and amortization			**189,015**	172,158
Depreciation of property, plant and equipment	**9**		**72,050**	75,418
Impairment of goodwill	**10**		**100,000**	—
Amortization of intangible assets	**11**		**15,439**	11,152
Finance costs	**25**		**20,027**	27,499
Net foreign exchange loss (gain)	**13**		**8,537**	(21,693)
Other (income) expense	**27**		**(445)**	(2,504)
Income (loss) before income taxes			**(26,593)**	82,286
Income tax expense	**18**		**17,194**	16,777
Net income (loss) and total comprehensive income		**$**	**(43,787)**	$ 65,509
Earnings (loss) per share:	**21**			
Basic		**$**	**(0.42)**	$ 0.63
Diluted		**$**	**(0.42)**	$ 0.63
Weighted average number of Common Shares outstanding:	**21**			
Basic			**104,274**	103,654
Diluted			**104,274**	103,654

The notes which begin on page 97 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(*thousands*)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings (deficit)	Total
Balance at January 1, 2018		**$ 933,303**	**$ 550**	**$ 13,807**	**$ 42,071**	**$ 989,731**
Total comprehensive income (loss) for the period		**—**	**—**	**—**	**(43,787)**	**(43,787)**
Common Shares issued on conversion of convertible debentures		**11,607**	**(550)**	**—**	**—**	**11,057**
Common shares issued on acquisition		**2,000**	**—**	**—**	**—**	**2,000**
Stock-based compensation expense		**—**	**—**	**1,670**	**—**	**1,670**
Dividends declared to common shareholders	**16**	**—**	**—**	**—**	**(62,595)**	**(62,595)**
Balance at December 31, 2018		**$ 946,910**	**$ —**	**$ 15,477**	**$ (64,311)**	**$ 898,076**

(*thousands*)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2017		$ 933,303	$ 550	$ 12,679	$ 13,878	$ 960,410
Total comprehensive income for the period		—	—	—	65,509	65,509
Stock-based compensation expense		—	—	1,128	—	1,128
Dividends declared to common shareholders	**16**	—	—	—	(37,316)	(37,316)
Balance at December 31, 2017		**$ 933,303**	**$ 550**	**$ 13,807**	**$ 42,071**	**$ 989,731**

The notes which begin on page 97 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands)	Note	Years ended December 31 2018	2017
Cash provided by (used in):			
Cash flows from operating activities:			
Net income (loss)		**$ (43,787)**	$ 65,509
Adjustments for:			
Depreciation and amortization		**87,489**	86,570
Impairment of goodwill	**10**	**100,000**	—
Finance costs	**25**	**20,027**	27,499
Stock-based compensation expense		**1,670**	1,128
Foreign exchange (gain) loss on cross-currency swaps	**13**	**(16,584)**	7,132
Foreign exchange loss (gain)		**24,255**	(21,536)
Change in fair value of investments	**27**	**3,135**	770
Loss on sale of property, plant and equipment	**27**	**281**	1,762
Gain on fair value of equity investment	**5**	**—**	(1,555)
Gain on contingent consideration	**5**	**—**	(2,000)
Earnings from equity investments	**27**	**(3,875)**	(1,493)
Accretion on asset retirement obligations		**14**	12
Income tax expense		**17,194**	16,777
Cash flows from operating activities before non-cash working capital items		**189,819**	180,575
Changes in non-cash working capital items from operating activities	**32**	**(26,452)**	(12,335)
Cash generated from operating activities		**163,367**	168,240
Income tax paid		**(22,657)**	(26,155)
Net cash from operating activities		**140,710**	142,085
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(60,464)**	(37,316)
Interest paid		**(21,499)**	(31,342)
Repayment of long-term debt and loans	**19**	**(78,152)**	(139,197)
Proceeds from bank credit facility		**30,000**	—
Repayment of convertible debentures		**(1,545)**	—
Changes in non-cash working capital items from financing activities		**187**	(580)
Net cash used in financing activities		**(131,473)**	(208,435)
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(45,836)**	(37,865)
Purchase of intangible assets		**(2,975)**	—
Purchase of property, plant and equipment		**(99,709)**	(33,059)
Proceeds on sale of property, plant and equipment		**12,227**	13,255
Purchase of investments		**(2,000)**	(650)
Interest received	**25**	**2,131**	2,510
Dividends from equity investees		**226**	128
Other assets		**(5,272)**	(6,548)
Changes in non-cash working capital items from investing activities		**488**	110
Net cash used in investing activities		**(140,720)**	(62,119)
Change in cash and cash equivalents		**(131,483)**	(128,469)
Cash and cash equivalents at January 1		**134,533**	270,291
Effect of exchange rate fluctuations on cash held		**866**	(7,289)
Cash and cash equivalents at December 31	**6**	**$ 3,916**	$ 134,533

The notes which begin on page 97 are an integral part of these consolidated financial statements.

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

1. Reporting Entity

Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") was incorporated pursuant to the laws of the Province of Alberta and is a publicly-traded company listed on the Toronto Stock Exchange under the symbol 'MTL'. The Corporation maintains its registered office in Okotoks, Alberta, Canada. The business of Mullen Group is operated through wholly-owned (either directly or indirectly) subsidiaries and limited partnerships ("**Business Units**"). The business of Mullen Group is a diversified transportation and oilfield service organization with its activities divided into two distinct operating segments, namely Trucking/Logistics and Oilfield Services. These consolidated financial statements ("**Annual Financial Statements**") include the accounts of the Corporation, its subsidiaries and its limited partnerships.

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

Note	Topic	Page	Note	Topic	Page
6	Cash and cash equivalents	107	13	Derivative Financial Instruments	114
7	Trade and other receivables	108	15	Accounts payable and accrued liabilities	115
8	Inventory	109	18	Income taxes	116
9	Property, plant and equipment	109	21	Earnings per share	120
10	Goodwill	110	26	Share-based compensation plans	123
11	Intangible assets	113	33	Operating segments	130

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

<u>*Judgements*</u>

(i) Impairment Tests

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

<u>*Estimates*</u>

(i) Acquisitions

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

(ii) Impairment Tests

Mullen Group's impairment tests compare the carrying amount of the asset or cash generating unit ("**CGU**") to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal ("**FVLCD**") and value in use ("**VIU**"). FVLCD is the amount obtainable from the sale of an asset or CGU in an arms-length transaction between knowledgeable, willing parties, less the costs of disposal. VIU is the present value of estimated future cash flows expected to arise from the continuing use of an asset or CGU and from the disposal at the end of its useful life. The determination of VIU requires the estimation and discounting of cash flows which involves key assumptions that consider all information available on the respective testing date. Management uses estimates, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment and economic trends to model and discount future cash flows. ▶ **For more information refer to Notes 10 and 11**.

3. Significant Accounting Policies

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

(a) Basis of Consolidation

These Annual Financial Statements include the accounts of Mullen Group, its subsidiaries and its limited partnerships. The financial statements of such subsidiaries and limited partnerships controlled by Mullen Group are included in these Annual Financial Statements from the date that control commenced until the date that control ceases. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its subsidiaries and limited partnerships and has the ability to affect those returns through its power to direct their activities. The accounting policies of subsidiaries and limited partnerships are the same as those of the Corporation. For the year ended December 31, 2018, the scope of consolidation for these Annual Financial Statements encompassed 84 entities, of which eight were a first time consolidation. The first time consolidations were mainly a result of the acquisitions of DWS Logistics Inc. ("**DWS**"), Dacota Freight Services Ltd. ("**Dacota**"), Canadian Hydrovac Ltd. ("**Canadian Hydrovac**") and the business and assets of 1007474 B.C. Ltd. doing business as Number 8 Freight Ltd. During 2018 ten entities ceased existence due to internal corporate reorganizations.

(b) Changes in Accounting Policies

IFRS 15 – Revenue from Contracts with Customers

Effective January 1, 2018, Mullen Group adopted IFRS 15 – Revenue from Contracts with Customers using the retrospective method with the cumulative effect of adopting this standard as an adjustment to the opening balance of retained earnings. Mullen Group did not adjust the opening balance of retained earnings as at January 1, 2018, given the $116,000 adjustment in adopting IFRS 15 – Revenue from Contracts with Customers was insignificant. Comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods.

Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Mullen Group recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

Mullen Group's primary service offering is the transportation of goods. The transportation of goods involves the physical process of transporting commodities and goods from point of origin to destination using company equipment and contracted owner operators. Each individual Business Unit offers published rates or signed master service agreements with specific customers that dictate future services it is to perform for a customer at the time a bill of lading or service request is received. Each bill of lading represents a separate distinct performance obligation that the company is obligated to satisfy. The transaction price is generally in the form of a fixed fee determined at the inception of the bill of lading. Transportation services revenue is recognized using the "over time" method.

Mullen Group's second highest revenue stream is logistics services. Logistics services involves the planning, implementing, and controlling the efficient, effective forward and reverse transport of goods. These services are governed by contract law. Mullen Group uses third parties ("**Subcontractors**") to perform the work. Subcontractors have their own insurance and operating authorities. When Mullen Group hires a Subcontractor, it remains the primary obligor, have the ability to set prices, retain the risk of loss in the event of a cargo claim and bear the credit risk of customer default. As such, Mullen Group acts as the principal of the arrangement and recognize revenue on a gross basis. Logistics services revenue is recognized using the "point in time" method.

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

In addition, Mullen Group offers a multitude of oilfield and other services. The following table summarizes the revenue recognition method:

Service offering	
Transportation	Over time
Logistics	Point in time
Rental(1)	Over time
Sales of products	Point in time
Construction	Over time
Others	Point in time

(1) Rental revenue is recognized in accordance with IAS 17 - Leases

IFRS 9 – Financial Instruments

Mullen Group early adopted IFRS 9 (2010) – Financial Instruments as of January 1, 2010 as it was consistent with its objective and approach to managing its financial assets and financial liabilities. Effective January 1, 2018, Mullen Group adopted the recent amendments made to IFRS 9 (2010) – Financial Instruments, which did not result in a material change to its consolidated financial statements.

The Corporation applies an expected credit loss approach in determining provisions for financial assets (other than equity instruments) carried at amortized cost or fair value through net income and total comprehensive income. The approach that the Corporation has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased. On transition to the amendments made to the standard, there was not a material change in the amount of provision recognized.

(c) Change in accounting estimate

Property, Plant and Equipment and Depreciation

Effective January 1, 2018, the Corporation began recording depreciation expense on specialty equipment within the Oilfield Services segment using a rate of 20.0 percent under the declining balance method as opposed to using a rate of 10.0 percent under the declining balance method in prior years. This change in estimate has been applied on a prospective basis and resulted in a $4.3 million increase in depreciation of property, plant and equipment for the year ended December 31, 2018. This change in estimate is based upon the revised estimated useful life of such equipment. The effect of this change in estimate on future periods depends on future capital expenditures and disposals made on specialty equipment. Assuming no capital expenditures and disposals are made on specialty equipment, depreciation of property, plant and equipment is expected to increase by approximately $4.0 million per annum.

(d) New Standards and Interpretations not yet adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by the IASB.

The following outlines the new accounting pronouncements issued by the IASB that are applicable to, or may have a future impact on, Mullen Group. The new pronouncements set forth below are effective for financial statements with annual periods beginning on or after January 1, 2019.

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 will recognize lease liabilities related to its lease commitments. These lease liabilities will be 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 ("**ROU**") assets will be measured at the lease liability amount on January 1, 2019 resulting in no adjustment to the opening balance of retained earnings. The Corporation intends to use 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;

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

As at January 1, 2019, Mullen Group expects that the adoption of IFRS 16 – Leases will result in the recognition of ROU assets and lease liabilities of approximately $42.2 million.

(e) Investment Properties

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

(f) Foreign Currency

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

(g) Impairment of Assets

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

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

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

(h) Financial Instruments

(i) Mullen Group has adopted IFRS 9 (2010) Financial Instruments as it relates to classification and measurement of financial assets and financial liabilities in advance of its effective date. During 2013, the IASB removed the mandatory effective date, which was for annual periods beginning on or after January 1, 2015. The new mandatory effective date is January 1, 2018. Mullen Group early adopted IFRS 9 (2010) as it is consistent with Mullen Group's objective and approach to managing its financial assets and financial liabilities.

(ii) *Non-Derivative Financial Assets*

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

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

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

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

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

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

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

(iii) *Non-Derivative Financial Liabilities*

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

(1) Includes contingent consideration which is subsequently measured at fair value.

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

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

Mullen Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. Mullen Group's long-term debt is comprised of a series of unsecured debt as follows: U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, CDN. $30.0 million of Series I Notes, CDN. $3.0 million of Series J Notes, CDN. $58.0 million of Series K Notes and CDN. $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**"). Mullen Group also had debt comprised of various financing loans which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

On May 1, 2009, Mullen Group issued by way of private placement an aggregate principal amount of $125.0 million of convertible unsecured subordinated debentures (the "**Debentures**"). The component parts of the Debentures issued by the Corporation were classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the debt component was estimated using the prevailing market interest rate for similar non-convertible instruments. This amount was recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

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

(iv) *Derivative Financial Instruments*

Derivatives consist of financial contracts that derive their value from underlying changes in foreign exchange rates, interest rates, credit spreads or other financial measures. Mullen Group uses Derivatives such as Cross-Currency Swaps (as hereafter defined on page 114) as part of its foreign exchange risk management strategy. Derivatives are measured initially at fair value. Subsequent to initial recognition, Derivatives are measured at FVTPL and are recorded in the statement of comprehensive income. Mullen Group has not designated any Derivatives as hedges for accounting purposes.

(v) Asset Retirement Obligations

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

(vi) Equity

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

(i) Provisions

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

(j) Leases

At inception of an arrangement, Mullen Group determines whether such an arrangement is or contains a lease. Leasing contracts are classified as either finance or operating leases. Mullen Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values at inception.

Mullen Group classifies a lease as a finance lease if it transfers substantially all of the risks and rewards related to the ownership of the leased asset. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets which are subject to operating leases are not recognized in the consolidated statement of financial position. Payments made under operating leases are recognized in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for in the period in which they are incurred.

(k) Finance costs

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

(l) Employee Benefits

(i) Short-Term Employee Benefits

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

(m) Acquisitions

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

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

4. Determination of Fair Values

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

(a) Trade and Other Receivables

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

(b) Property, Plant and Equipment

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

(c) Intangible Assets

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

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

(d) Investments

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

(e) Derivative Financial Instruments

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

(f) Accounts Payable and Accrued Liabilities

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

(g) Non-Derivative Financial Liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

(h) Private Placement Debt

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

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

Fair Values Versus Carrying Amounts

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

December 31, 2018 **Financial Instrument**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	**$ 3,916**	**$ 3,916**
Trade and other receivables	**218,089**	**218,089**
Investments (excluding investments accounted for by using the equity method)	**2,803**	**2,803**
Other assets	**4,830**	**4,830**
Total financial assets	**$ 229,638**	**$ 229,638**
Bank indebtedness	**$ 30,000**	**$ 30,000**
Accounts payable and accrued liabilities	**99,276**	**99,276**
Dividends payable	**5,241**	**5,241**
Private Placement Debt	**482,185**	**384,041**
Total financial liabilities	**$ 616,702**	**$ 518,558**

December 31, 2017 **Financial Instrument**	**Carrying Amount**	**Fair Value**
Cash and cash equivalents	$ 134,533	$ 134,533
Trade and other receivables	175,303	175,303
Investments (excluding investments accounted for by using the equity method)	5,938	5,938
Other assets	8,490	8,490
Total financial assets	$ 324,264	$ 324,264
Accounts payable and accrued liabilities	$ 88,221	$ 88,221
Dividends payable	3,110	3,110
Private Placement Debt	526,799	432,694
Debentures – debt component	12,393	12,247
Various Financing Loans	781	775
Total financial liabilities	$ 631,304	$ 537,047

5. Acquisitions

2018 Acquisitions

Number 8 Freight Ltd. – Effective August 1, 2018, Mullen Group 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. Mullen Group recorded $5.0 million of cash used to acquire Number 8 on its consolidated statement of cash flows. Mullen Group acquired the business and assets of Number 8 as part of its strategy to invest in the transportation sector in western Canada. Number 8 operates a fleet of approximately 80 owner operators that provides same day less-than-truckload ("**LTL**"), full load and expedited transportation services to the greater Vancouver and Fraser Valley regions of British Columbia. Number 8 operates out of a facility located in Chilliwack, British Columbia and has been integrated into the operations of Tenold Transportation Ltd. ("**Tenold**"), whose financial results are included in the Trucking/Logistics segment.

Canadian Hydrovac Ltd. – Effective July 1, 2018, Mullen Group acquired 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. Mullen Group recorded $4.6 million of cash used to acquire all of the issued and outstanding shares of Canadian Hydrovac on its 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 Edmonton, Alberta and operates a fleet of approximately 50 pieces of specialized equipment including: hydrovacs, vacuum trucks, combo units and various other pieces of support equipment. Mullen Group acquired Canadian Hydrovac as part of its strategy to invest in the energy sector and its financial results are included in the Oilfield Services segment.

AECOM's Canadian Industrial Services Division – On June 25, 2018, Mullen Group acquired the business and assets of AECOM's Canadian Industrial Services Division ("**AECOM ISD**") for cash consideration of $25.9 million. Mullen Group recorded $25.9 million of cash used to acquire AECOM ISD on its consolidated statement of cash flows. Mullen Group acquired the business and assets of AECOM ISD as part of its 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 and 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.

Dacota Freight Services Ltd. – Effective April 1, 2018, Mullen Group acquired Dacota for cash consideration of $2.4 million, comprised of $2.1 million for all of 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. Mullen Group has estimated the fair value of this contingent consideration to be $0.2 million, which was based on management's best estimate of Dacota's pro forma operating results. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. Mullen Group recorded $2.1 million of cash used to acquire Dacota on its consolidated statement of cash flows, which consists of $2.4 million of total cash consideration less $0.3 million allocated to the repayment of long-term debt. Dacota is headquartered in Cranbrook, British Columbia and provides transportation and logistics services primarily in western Canada. Mullen Group acquired Dacota as part of its strategy to invest in the transportation sector in western Canada. Dacota has been integrated into the operations of the Hi-Way 9 Group of Companies ("**Hi-Way 9**"), whose financial results are included in the Trucking/Logistics segment.

DWS Logistics Inc. – On February 9, 2018, Mullen Group acquired DWS for cash consideration of $10.1 million, comprised of $8.3 million for all of 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. Mullen Group initially estimated the fair value of this contingent consideration to be $1.0 million, which was based on management's best estimate of DWS' pro forma operating results. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. DWS achieved the financial targets for the twelve month period ending December 31, 2018. Mullen Group recorded $8.3 million of cash used to acquire DWS on its consolidated statement of cash flows, which consists of $10.1 million of total cash consideration less $1.8 million allocated to the repayment of long-term debt. DWS is headquartered in Mississauga, Ontario and provides value-added warehousing and distribution services which 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. Mullen Group acquired DWS as part of its 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.

2017 Acquisitions

Kel-West Carriers Ltd. – On January 31, 2017, Mullen Group acquired all of the issued and outstanding shares of Kel-West Carriers Ltd. ("**Kel-West**") for cash consideration of $3.7 million. Mullen Group recorded $3.7 million of cash used to acquire Kel-West on its consolidated statement of cash flows. Kel-West is headquartered in Kelowna, British Columbia and provides transportation and logistics services primarily in western Canada. Mullen Group acquired Kel-West as part of its strategy to invest in the transportation sector in western Canada. Kel-West has been integrated into the operations of Payne Transportation Ltd., whose financial results are included in the Trucking/Logistics segment.

Envolve Energy Services Corp. – On April 10, 2015, Mullen Group acquired approximately 38.0 percent of the issued and outstanding shares of Envolve Energy Services Corp. ("**Envolve**") for $5.0 million. Mullen Group used the equity method to account for this investment and recognized $1.1 million of earnings from April 10, 2015 until March 17, 2017. On March 17, 2017, Mullen Group acquired all of the remaining issued and outstanding shares of Envolve for cash consideration of $12.6 million. Mullen Group recorded $11.9 million of cash used to acquire Envolve in its consolidated statement of cash flows, which consists of $12.6 million of cash consideration paid on closing net of $0.7 million of cash acquired. The fair value of Envolve was $20.3 million on the date control was obtained resulting in a $1.6 million gain on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. Envolve is an oilfield waste disposal company operating in the Grande Prairie, Alberta region. Mullen Group acquired Envolve as part of its strategy to invest in the energy sector. The results from Envolve's operations are included in the Oilfield Services segment.

Golden Transport Ltd. – On August 1, 2017, Mullen Group acquired all of the issued and outstanding shares of Golden Transport Ltd. ("**Golden**") for cash consideration of $1.6 million. Mullen Group recorded $1.6 million of cash used to acquire Golden on its consolidated statement of cash flows. Golden is headquartered in Golden, British Columbia and provides transportation and logistics services primarily in western Canada. Mullen Group acquired Golden as part of its strategy to invest in the transportation sector in western Canada. Golden has been integrated into the operations of Hi-Way 9, whose financial results are included in the Trucking/Logistics segment.

RDK Transportation Co. Inc. – On September 1, 2017, Mullen Group acquired all of issued and outstanding shares of RDK Transportation Co. Inc. ("**RDK**") for cash consideration of $13.2 million, which includes the Saskatoon, Saskatchewan facility operated by RDK. Mullen Group recorded $13.0 million of cash used to acquire RDK on its consolidated statement of cash flows, which consists of $13.2 million of total cash consideration less $0.2 million allocated to the repayment of shareholder loans. RDK is headquartered in Saskatoon, Saskatchewan and provides transportation and logistics services throughout Canada and the continental United States. Mullen Group acquired RDK as part of its strategy to invest in the transportation sector in Canada and the United States and its financial results are included in the Trucking/Logistics segment.

S. Krulicki & Sons Ltd. – On October 1, 2017, Mullen Group acquired all of the issued and outstanding shares of S. Krulicki & Sons Ltd., which operates under the brand names of Winnipeg Moving & Storage and Brandon Moving among others (collectively, "**Winnipeg Moving**") for cash consideration of $6.0 million, which includes the Winnipeg, Manitoba facility operated by Winnipeg Moving. Winnipeg Moving is a privately held company headquartered in Winnipeg, Manitoba, which specializes in local, long distance and international residential and commercial moves. Mullen Group acquired Winnipeg Moving as part of its strategy to invest in the transportation sector in Canada. Mullen Group recorded $6.0 million of cash used to acquire Winnipeg Moving on its consolidated statement of cash flows. Winnipeg Moving has been integrated into the operations of Gardewine Group Limited Partnership ("**Gardewine**"), whose financial results are included in the Trucking/Logistics segment.

Marshall Trucking Inc. – On November 1, 2017, Mullen Group acquired all of the issued and outstanding shares of Marshall for cash consideration of $10.1 million. Mullen Group recorded $1.7 million of cash used to acquire Marshall on its consolidated statement of cash flows, which consists of $10.1 million of total cash consideration net of $0.3 million of cash acquired and $8.1 million allocated to the repayment of shareholder loans. Marshall is headquartered in Calgary, Alberta and provides transportation and logistics services primarily in western Canada. Mullen Group acquired Marshall as part of its strategy to invest in the transportation sector in western Canada. Marshall has been integrated into the operations of Mullen Trucking Corp., whose financial results are included in the Trucking/Logistics segment.

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

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

	AECOM ISD	Canadian Hydrovac	Other	2018	2017
Assets:					
Non-cash working capital items	$ (640)	$ 1,100	$ 1,692	$ 2,152	$ 3,058
Property, plant and equipment	26,500	6,377	1,457	34,334	24,976
Intangible assets	—	6,300	15,825	22,125	29,157
Goodwill (not deductible for tax purposes)	—	408	1,519	1,927	11,467
Other assets	—	—	—	—	876
	25,860	14,185	20,493	60,538	69,534
Assumed liabilities:					
Long-term debt	—	4,987	2,126	7,113[(1)]	4,920[(1)]
Asset retirement obligations	—	—	—	—	960
Due to shareholder	—	259	—	259	8,371
Deferred income taxes	—	2,324	3,006	5,330	9,725
	—	7,570	5,132	12,702	23,976
Net assets before cash and cash equivalents	25,860	6,615	15,361	47,836	45,558
Cash and cash equivalents (bank indebtedness)	—	(1,790)	21	(1,769)	865
Net assets	25,860	4,825	15,382	46,067	46,423
Consideration:					
Cash	25,860	2,825	14,232	42,917	38,730
Share consideration	—	2,000	—	2,000	—
Fair value of equity investment	—	—	—	—	7,693
Contingent consideration	—	—	1,150	1,150	—
	$ 25,860	$ 4,825	$ 15,382	$ 46,067	$ 46,423

(1) Long-term debt consisted of $5.1 million (2017 – $3.9 million) of bank debt and $2.0 million (2017 – $1.0 million) of finance leases.

6. Cash and Cash Equivalents

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

Supporting information:

	December 31 2018	December 31 2017
Cash	$ 3,916[(1)]	$ 134,533
Bank indebtedness	(30,000)	—
Cash and cash equivalents (bank indebtedness)	$ (26,084)	$ 134,533

(1) Includes $1.2 million of cash held in escrow. ▶ ***For more information refer to Note 5.***

Cash and cash equivalents are comprised of cash and bank indebtedness held at Canadian financial institutions that are rated AA- and A-1 S&P Credit Rating as at December 31, 2018. Mullen Group has a $125.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). As at December 31, 2018, there was $30.0 million drawn on this facility. ▶ **For more information refer to Note 19**.

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

7. Trade and Other Receivables

Policy: The Corporation applies an expected credit loss approach in determining provisions for financial assets (other than equity instruments) carried at amortized cost or fair value through net income and total comprehensive income. The approach that the Corporation has taken for trade receivables is a provision matrix approach whereby lifetime expected credit losses are recognized based on aging characterization and credit worthiness of customers. Specific provisions may be used where there is information that a specific customer's expected credit losses has increased. On transition to the amendments made to the standard, there was not a material change in the amount of provision recognized.

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

Supporting information:

		December 31 2018		December 31 2017
Trade receivables	**$**	**190,150**	$	160,899
Other receivables		**27,289**[(1)]		14,404[(1)]
Contract assets		**650**		—
	$	**218,089**	$	175,303

[(1)] Includes $9.3 million (2017 – $0.1 million) of amounts due from related parties. Mullen Group has entered into $10.5 million of debenture agreements with Thrive (as hereafter defined on page 113). At December 31, 2018, there was $8.9 million drawn on these debentures. These debentures mature in September 2019 and have therefore been classified as a current asset. Mullen Group has a general security interest in all of Thrive's assets.

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

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

		December 31 2018		December 31 2017
Current	**$**	**218,089**	$	175,303
Non-current	**$**	**—**	$	—

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

		December 31 2018		December 31 2017
Current 0-30 days	**$**	**101,313**	$	90,090
Past due 31-60 days		**57,744**		48,864
Past due 61-90 days		**18,105**		13,724
More than 90 days		**18,899**		12,656
		196,061		165,334
Allowance for doubtful accounts		**(5,911)**		(4,435)
Total trade receivables (net of impairment)	**$**	**190,150**	$	160,899

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

		2018		2017
Balance at January 1	**$**	**4,435**	$	3,211
Acquired during the year		**177**		60
Bad debts recognized		**(430)**		(1,228)
Allowance for doubtful accounts recorded		**1,970**		2,617
Allowance for doubtful accounts reversed		**(241)**		(225)
Balance at December 31	**$**	**5,911**	$	4,435

The expected credit loss allowance calculated as at December 31, 2018, was $5.9 million, which represents an increase of $1.5 million as compared to the allowance calculated in the prior year.

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

8. Inventory

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

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

Supporting information:

		December 31 2018		December 31 2017
Inventory of repair parts and fuel	**$**	**27,648**	$	24,373
Inventory for resale		**6,230**		5,831
	$	**33,878**	$	30,204

9. Property, Plant and Equipment

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

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

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

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

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

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

Supporting information:

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Drilling equipment	Total
Cost					
Balance at January 1, 2018	**$ 528,154**	**$ 731,381**	**$ 259,724**	**$ 30,150**	**$ 1,549,409**
Additions(1)	**24,542**	**83,534**	**26,025**	**—**	**134,101**
Disposals	**—**	**(34,863)**	**(15,957)**	**—**	**(50,820)**
Balance at December 31, 2018	**552,696**	**780,052**	**269,792**	**30,150**	**1,632,690**
Accumulated Depreciation					
Balance at January 1, 2018	**60,643**	**374,854**	**184,474**	**13,298**	**633,269**
Depreciation expense	**7,806**	**45,497**	**17,057**	**1,691**	**72,051**
Disposals	**—**	**(24,028)**	**(14,285)**	**—**	**(38,313)**
Balance at December 31, 2018	**68,449**	**396,323**	**187,246**	**14,989**	**667,007**
Net book value at December 31, 2018	**$ 484,247**	**$ 383,729**	**$ 82,546**	**$ 15,161**	**$ 965,683**

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Drilling equipment	Total
Cost					
Balance at January 1, 2017	$ 518,062	$ 744,247	$ 251,038	$ 30,150	$ 1,543,497
Additions(1)	11,068	24,376	22,590	—	58,034
Disposals	(976)	(37,242)	(13,904)	—	(52,122)
Balance at December 31, 2017	528,154	731,381	259,724	30,150	1,549,409
Accumulated Depreciation					
Balance at January 1, 2017	53,410	351,342	178,786	11,419	594,957
Depreciation and impairment expense	7,719	47,882	17,938	1,879	75,418
Disposals	(486)	(24,370)	(12,250)	—	(37,106)
Balance at December 31, 2017	60,643	374,854	184,474	13,298	633,269
Net book value at December 31, 2017	$ 467,511	$ 356,527	$ 75,250	$ 16,852	$ 916,140

(1) *Additions include property, plant, and equipment purchased by way of business acquisitions of $34.3 million (2017 – $25.0 million).*
▶ **For more information refer to Note 5**.

At December 31, 2018, there was no equipment under finance leases included within property, plant and equipment as compared to December 31, 2017, whereby $1.5 million, $0.4 million and $1.1 million was recorded for cost, accumulated depreciation and net book value, respectively. At December 31, 2018, land and buildings include $32.4 million (2017 – $36.3 million) of investment properties held to earn rental income. The total cost and accumulated depreciation associated with investment properties was $35.5 million (2017 – $39.2 million) and $3.1 million (2017 – $2.9 million), respectively. In 2018, Mullen Group transferred $3.7 million of land and buildings out of investment properties as certain properties are no longer being used to earn rental income. Mullen Group generated $2.6 million of rental income (2017 – $2.4 million) from investment properties. At December 31, 2018, the fair market value of investment properties was $39.2 million (2017 – $41.8 million).

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. In 2018, there was no impairment loss recorded on property, plant and equipment. During the year ended December 31, 2017, the Corporation recorded an impairment loss of $7.9 million that was recorded as additional depreciation. This impairment loss related to specialty equipment within the Oilfield Services segment after an assessment of current market conditions for such equipment.

10. Goodwill

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

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

Judgements: Estimating future cash flows requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. In addition, the allocation of shared corporate and administrative assets to our CGU's requires certain judgements. Key assumptions are detailed below. ▶ **For more information refer to Note 10(b)**.

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

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

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

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

Supporting information:

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

		2018		2017
Gross amount of goodwill	**$**	**1,261,350**	$	1,249,883
Accumulated impairment		**898,000**		898,000
Balance at January 1	**$**	**363,350**	$	351,883
Goodwill acquired during the year		**1,927**		11,467
Impairment of goodwill		**(100,000)**		—
Balance at December 31	**$**	**265,277**	$	363,350

At December 31, 2018, the Trucking/Logistics segment had a carrying value of $187.0 million of goodwill in 2018 as compared to $185.4 million in 2017. This $1.6 million increase was a result of recognizing goodwill on the Number 8, Dacota and DWS acquisitions. The Oilfield Services segment had a carrying value of $78.3 million of goodwill, a decrease of $99.6 million from the $177.9 million recorded in 2017. This decrease was a result of a $100.0 million impairment of goodwill recognized by certain CGUs within this segment being somewhat offset by the goodwill recognized on the Canadian Hydrovac acquisition.

The following table summarizes the significant carrying amounts of goodwill:

		December 31 2018		December 31 2017
Cash Generating Unit				
Gardewine Group Limited Partnership	**$**	**79,875**(1)	$	79,402
Formula Powell L.P.		**10,937**(2)		56,564
Kleysen Group Ltd.		**34,099**		34,099
Cascade Energy Services L.P.		**—**(2)		37,554
Hi-Way 9 Group of Companies		**20,981**(3)		20,832
Heavy Crude Hauling L.P.		**16,989**		16,989
Tenold Transportation Ltd.		**15,361**(3)		15,209
Other CGUs		**87,035**		102,701
Total Goodwill	**$**	**265,277**	$	363,350

(1) In 2018, the increase in the carrying amount of goodwill within Gardewine resulted from the operations of S. Krulicki & Sons Ltd. being integrated into Gardewine.

(2) The decrease in the carrying amount of goodwill resulted from the impairment of goodwill being recorded in 2018.

(3) In 2018, the increase in the carrying amount of goodwill within Hi-Way 9 and Tenold resulted from the acquisitions of Dacota and Number 8 being integrated into these CGUs, respectively.

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

(a) Impairment Testing for Cash Generating Units Containing Goodwill

At December 31, 2018, ("**Valuation Date**") Mullen Group performed its annual impairment test for goodwill and concluded that there was impairment of goodwill within certain CGUs in the Oilfield Services segment as the recoverable amount for these CGUs was lower than their respective carrying amount. Mullen Group recognized a $100.0 million impairment of goodwill in 2018 using the following discount and terminal value growth rates within each respective CGU:

		Impairment of Goodwill	Discount Rate	Terminal Value Growth Rate
Cash Generating Unit				
Formula Powell L.P.	$	**45.6**	11.5%	2.5%
Cascade Energy Services L.P.		**37.6**	12.0%	2.0%
Mullen Oilfield Services L.P.		**5.8**	12.0%	2.0%
Spearing Service L.P.		**5.0**	12.0%	2.0%
R. E. Line Trucking (Coleville) Ltd.		**3.0**	12.0%	2.5%
Withers L.P.		**3.0**	12.0%	2.0%
Total impairment of goodwill	**$**	**100.0**		

The impairment of goodwill within these CGUs resulted from the deterioration of the oil and natural gas industry in the fourth quarter of 2018, which led to Mullen Group revising its projected future cash flows. After recognizing this impairment of goodwill, the recoverable amount of these CGUs equaled its carrying amount, which was $263.1 million. The recording of this impairment of goodwill is recognized as an expense and reduces book equity and net income but it does not impact cash flows. At December 31, 2017, Mullen Group performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of its CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount.

(b) Recoverable Amount

Mullen Group determines the recoverable amount for its CGUs based on the higher of the FVLCD and VIU. The recoverable amount was determined using a discounted cash flow approach for all CGUs. The recoverable value was determined by discounting the future cash flows generated from Mullen Group's continuing use of the CGU. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.

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

	Discount rate		Terminal value growth rate	
	December 31 2018	December 31 2017	December 31 2018	December 31 2017
Cash Generating Unit				
Gardewine Group Limited Partnership	**10.5%**	10.5%	**2.0%**	2.0%
Formula Powell L.P.	**11.5%**	10.5%	**2.5%**	2.5%
Kleysen Group Ltd.	**10.5%**	11.0%	**2.5%**	2.5%
Cascade Energy Services L.P.	**12.0%**	11.0%	**2.0%**	2.5%
Hi-Way 9 Group of Companies	**11.0%**	11.0%	**2.5%**	2.5%
Heavy Crude Hauling L.P.	**12.0%**	11.0%	**2.0%**	2.5%
Tenold Transportation Ltd.	**11.0%**	11.0%	**2.5%**	2.5%
Other	**11.0%-12.0%**	11.0% - 12.0%	**2.0% - 2.5%**	1.5% - 2.5%

(i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using constant growth rates of between 1.5 to 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and the Business Unit's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.

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

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

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

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

	Change in discount rate		Change in terminal value growth rate	
	December 31 2018	**December 31 2017**	**December 31 2018**	**December 31 2017**
Cash Generating Unit				
Gardewine Group Limited Partnership	**5.0%**	4.5%	**(8.6)%**	(7.3)%
Formula Powell L.P.	**0%**	2.6%	**0%**	(4.2)%
Kleysen Group Ltd.	**8.3%**	6.8%	**(16.4)%**	(12.1)%
Cascade Energy Services L.P.	**0%**	0.5%	**0%**	(0.9)%
Hi-Way 9 Group of Companies	**12.7%**	9.3%	**(34.4)%**	(16.5)%
Heavy Crude Hauling L.P.	**1.3%**	3.4%	**(1.9)%**	(5.2)%
Tenold Transportation Ltd.	**11.3%**	1.2%	**(26.9)%**	(1.7)%

11. Intangible Assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements acquired through business combinations. In 2018, Mullen Group acquired $22.1 million and $3.0 million by virtue of acquisitions and from purchasing a customer list, respectively. Intangible assets are amortized over their estimated useful lives on a straight line basis over a period of five to ten years.

Policy: Intangible assets acquired as part of acquisitions are capitalized at fair value as determined at the date of acquisition and are subsequently stated at that capitalized cost less accumulated amortization and impairment losses.

Supporting information:

	Opening balance at January 1 2017	Additions (Amortization)	Closing balance at December 31 2017	Additions (Amortization)	Closing balance at December 31 2018
Cost	$ 235,459	$ 29,157	$ 264,616	$ 25,100	**$ 289,716**
Amortization	(212,855)	(11,152)	(224,007)	(15,439)	**(239,446)**
Carrying amount	$ 22,604		$ 40,609		**$ 50,270**

12. Investments

	December 31 2018	December 31 2017
Investments	**$ 2,803**	$ 5,938
Investments – equity method	**33,466**	27,817
	$ 36,269	$ 33,755

(a) Investments

Mullen Group periodically invests in certain private and public corporations. There were no investments purchased or sold in 2018. During 2017, Mullen Group purchased $0.5 million of investments related to Trakopolis IoT Corp. and there were no investments sold.

(b) Investments accounted for by the equity method

In 2018 Mullen Group invested $2.0 million to acquire a 40.0 percent equity interest in Pacific Coast Express Limited ("**PCX**"), a regional LTL company operating out of a number of facilities in western Canada. Mullen Group made this equity investment as part of its strategy to invest in the transportation sector in western Canada. The Corporation granted the majority shareholder of PCX an irrevocable option to sell all of the remaining shares of PCX to Mullen Group at a price to be agreed upon by both parties once certain financial targets have been achieved. In 2017, Mullen Group invested $0.2 million to acquire a 30.0 percent equity interest in Thrive Fluid Management Corp., a fluid management company operating in the Grande Prairie, Alberta region. On December 31, 2018, Thrive Fluid Management Corp. changed its name to Thrive Management Group Ltd. ("**Thrive**"). Mullen Group made this equity investment as part of its strategy to invest in the energy sector. In 2014, Mullen Group acquired a 30.0 percent interest in Kriska Transportation Group Limited ("**Kriska Transportation**"). Kriska Transportation is a growth oriented transportation and logistics company based in Prescott, Ontario. At December 31, 2018, the Corporation had a carrying value of $27.3 million (2017 – $24.6 million) related to its equity investment in Kriska Transportation. Mullen Group uses the equity method to account for investments from the date in which it obtains significant influence. In 2018, the aggregate amount of Mullen Group's share of net income and total comprehensive income from its investments accounted for by the equity method was $3.8 million (2017 – $1.5 million). In 2018, revenue and operating income before depreciation and amortization on the Corporation's equity investments was $234.6 million and $26.8 million, respectively. ▶ **For more information refer to Note 27.**

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

13. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. At December 31, 2018, the carrying value of these Cross-Currency Swaps was $42.2 million and was recorded in the consolidated statement of financial position within derivative financial instruments.

Estimates: Mullen Group uses Derivatives such as Cross-Currency Swaps to manage its exposure to foreign currency risks relating to its U.S. dollar debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads.

Policy: Mullen Group adopted IFRS 9 (2010) – Financial Instruments as it relates to classification and measurement of financial assets and financial liabilities in advance of its effective date. ▶ **For more information refer to Note 3(h).**

Supporting information:

For the year ended December 31, 2018, Mullen Group recorded a net foreign exchange loss (gain) of $8.5 million (2017 – $(21.7) 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 Loss (Gain)	**CDN. $ Equivalent**	
	Years ended December 31	
	2018	**2017**
Foreign exchange loss (gain) on U.S. $ debt	**$ 25,121**	$ (28,825)
Foreign exchange (gain) loss on Cross-Currency Swaps	**(16,584)**	7,132
Net foreign exchange loss (gain)	**$ 8,537**	$ (21,693)

For the year ended December 31, 2018, Mullen Group recorded a foreign exchange loss (gain) on U.S. dollar debt of $25.1 million (2017 – $(28.8) million) as summarized in the table below:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Years ended December 31**					
	2018			**2017**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Beginning – January 1	**229,000**	**1.2545**	**287,281**	314,000	1.3427	421,608
Less: Repayment of Series E Notes	**—**	**—**	**—**	(85,000)	1.2412	(105,502)
Subtotal	**229,000**		**287,281**	229,000	—	316,106
Ending – December 31	**229,000**	**1.3642**	**312,402**	229,000	1.2545	287,281
Foreign exchange loss (gain) on U.S. $ debt			**25,121**			(28,825)

For the year ended December 31, 2018, Mullen Group recorded a foreign exchange (gain) loss on its Cross-Currency Swaps of $(16.6) million (2017 – $7.1 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 (Gain) Loss on Cross-Currency Swaps	**Years ended December 31**			
	2018		**2017**	
	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**	**(9,116)**	117,000	4,012
Cross-Currency Swap maturing October 22, 2026	**112,000**	**(7,468)**	112,000	3,120
Foreign exchange (gain) loss on Cross-Currency Swaps		**(16,584)**		7,132

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

14. Other Assets

		December 31 2018		December 31 2017
Debentures – Thrive	**$**	**—**	$	6,691
Debentures – PCX		**3,200**		—
Promissory notes		**1,037**		1,212
Other		**593**		587
	$	**4,830**	$	8,490

Mullen Group has entered into $10.5 million of debenture agreements with Thrive. At December 31, 2018, there was $8.9 million drawn on these debentures. These debentures mature in September 2019 and have therefore been classified as a current asset. ▶ **For more information refer to Note 7.** Mullen Group has a general security interest in all of Thrive's assets. Mullen Group has entered into a $3.2 million debenture agreement with PCX. Mullen Group has a general security interest in all of PCX's assets.

15. Accounts Payable and Accrued Liabilities

Policy: Accounts payable and accrued liabilities are obligations to pay for goods or services that have been purchased in the normal course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supporting information:

		December 31 2018		December 31 2017
Trade payables	**$**	**33,160**	$	28,820
Amounts due to related parties		**20**		—
Non-trade payables and accrued liabilities		**66,096**		59,401
	$	**99,276**	$	88,221

16. Dividends Payable

For the year ended December 31, 2018, Mullen Group declared monthly dividends of $0.05 per Common Share totalling $0.60 per Common Share (2017 – $0.36 per Common Share). On December 13, 2017, 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 2018, as compared to $0.36 per Common Share ($0.03 per Common Share on a monthly basis) for 2017. At December 31, 2018, Mullen Group had 104,824,973 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2017 – $3.1 million), which was paid on January 15, 2019. Mullen Group also declared a dividend of $0.05 per Common Share on January 22, 2019, to the holders of record at the close of business on January 31, 2019.

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

17. Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued Debentures at a price of $1,000 per Debenture. The Debentures matured on July 1, 2018. Each $1,000 Debenture was convertible into 93.2 Common Shares of Mullen Group (or a conversion price of $10.73) at any time at the option of the holders of the Debentures.

For the year ended December 31, 2018, 10,900 Debentures (2017 – nil) were converted into 1,037,323 Common Shares (2017 – nil) of Mullen Group and 1,545 Debentures were repaid with cash. As at December 31, 2018, there were no Debentures outstanding.

The details of the Debentures are as follows:

		December 31, 2018		December 31, 2017	
Year of Maturity	**Nominal Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2018	10%	**$ —**	**$ —**	$ 12,445	$ 12,393

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

	Cumulative as at December 31, 2018	Cumulative as at December 31, 2017
Proceeds from issue of Debentures	**$ 125,000**	$ 125,000
Debt issuance costs	**(2,335)**	(2,335)
Net proceeds	**122,665**	122,665
Amount classified as equity	**(7,200)**	(7,200)
Debentures converted to Common Shares	**(123,455)**	(112,555)
Debentures repaid with cash	**(1,545)**	—
Accretion on debt	**9,535**	9,483
Carrying amount of Debentures	**$ —**	$ 12,393

18. Income Taxes

Estimates: The realization of deferred tax assets depends on the future taxable income of the respective Mullen Group subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates.

Policy: Income tax expense for the period consists of current and deferred tax. Tax is recognized in net income, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Taxable income differs from net income as reported in the consolidated statement of comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where Mullen Group operates.

In general, deferred income taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the Annual Financial Statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent it is probable that future taxable income will be generated and available to use against the deductible temporary differences, unused tax losses and unused tax credits. Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

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

Supporting information:

Deferred tax assets totalling $9.2 million (2017 – $4.6 million) consist mainly of the temporary differences arising from the purchase of goodwill on asset acquisitions, intangible assets and from loss carry forward balances. Recognized deferred tax assets and liabilities consist of the following:

December 31, 2018		Assets		Liabilities		Net
Property, plant and equipment	**$**	**96**	**$**	**(109,866)**	**$**	**(109,770)**
Goodwill – asset acquisitions		**6,908**		**(2,051)**		**4,857**
Intangible assets		**690**		**(11,085)**		**(10,395)**
Investments		**—**		**(933)**		**(933)**
Loss carry-forwards		**844**		**—**		**844**
Financing fees		**649**		**—**		**649**
Holdbacks and deferred interest		**—**		**(190)**		**(190)**
	$	**9,187**	**$**	**(124,125)**	**$**	**(114,938)**

December 31, 2017		Assets		Liabilities		Net
Property, plant and equipment	$	—	$	(112,337)	$	(112,337)
Goodwill – asset acquisitions		2,476		(2,660)		(184)
Intangible assets		500		(10,297)		(9,797)
Investments		—		(833)		(833)
Loss carry-forwards		164		—		164
Financing fees		1,085		—		1,085
Holdbacks and deferred interest		355		(496)		(141)
Debentures		—		(11)		(11)
	$	4,580	$	(126,634)	$	(122,054)

The analysis of the components of net deferred tax is as follows:

	Years ended December 31			
		2018		**2017**
Deferred tax to be settled within 12 months	**$**	**(6,726)**	$	(6,968)
Deferred tax to be settled after more than 12 months		**(108,212)**		(115,086)
	$	**(114,938)**	$	(122,054)

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

The following tables summarize the movement of temporary differences during the period:

	Balance January 1 2018	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2018
Property, plant and equipment	**$ (112,337)**	**$ 3,564**	**$ (997)**	**$ —**	**$ (109,770)**
Goodwill – asset acquisitions	**(184)**	**5,041**	**—**	**—**	**4,857**
Intangible assets	**(9,797)**	**3,735**	**(4,333)**	**—**	**(10,395)**
Investments	**(833)**	**(100)**	**—**	**—**	**(933)**
Loss carry-forwards	**164**	**680**	**—**	**—**	**844**
Financing fees	**1,085**	**(436)**	**—**	**—**	**649**
Debt financing costs	**355**	**(355)**	**—**	**—**	**—**
Holdbacks	**(496)**	**306**	**—**	**—**	**(190)**
Debentures	**(11)**	**9**	**—**	**2**	**—**
	$ (122,054)	**$ 12,444**	**$ (5,330)**	**$ 2**	**$ (114,938)**

	Balance January 1 2017	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2017
Property, plant and equipment	$ (116,791)	$ 6,420	$ (1,966)	$ —	$ (112,337)
Goodwill – asset acquisitions	434	(618)	—	—	(184)
Intangible assets	(4,553)	2,515	(7,759)	—	(9,797)
Investments	(768)	(65)	—	—	(833)
Loss carry-forwards	859	(695)	—	—	164
Financing fees	1,376	(291)	—	—	1,085
Debt financing costs	1,067	(712)	—	—	355
Holdbacks	(403)	(93)	—	—	(496)
Debentures	(32)	21	—	—	(11)
	$ (118,811)	$ 6,482	$ (9,725)	$ —	$ (122,054)

Income tax expense of $17.2 million (2017 – $16.8 million) is comprised of current and deferred tax as follows:

	Years ended December 31	
	2018	**2017**
Current	**$ 29,638**	$ 23,259
Deferred	**(12,444)**	(6,482)
	$ 17,194	$ 16,777

The combined statutory tax rate was approximately 27.0 percent in 2018 (2017 – 27.0 percent). The reconciliation of the effective tax rate is as follows:

	Years ended December 31	
	2018	**2017**
Income (loss) before income taxes	**$ (26,593)**	$ 82,286
Combined statutory tax rate	**27%**	27%
Expected income tax	**(7,180)**	22,217
Add (deduct):		
Impairment of goodwill	**21,388**	—
Non-deductible (taxable) of net foreign exchange loss (gain)	**1,152**	(2,929)
Non-deductible (taxable) of the change in fair value of investments	**423**	(106)
Stock-based compensation expense	**451**	305
Decrease in income tax due to changes in income tax rates	**—**	(281)
Unrecognized deferred tax asset	**1,152**	(2,929)
Other	**(192)**	500
Income tax expense	**$ 17,194**	$ 16,777

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

19. Long-Term Debt and Credit Facility

In 2018, Mullen Group used cash to repay $70.0 million of Series D Notes that matured on June 30, 2018. On September 27, 2017, Mullen Group used cash to repay U.S. $85.0 million (CDN. $105.5 million) of Series E Notes and $20.0 million of Series F Notes. The Series E and Series F Notes matured on September 27, 2017. Mullen Group also repaid $7.4 million of debt and shareholder loans assumed on acquisitions in 2018 (2017 – $13.3 million).

On October 24, 2018, Mullen Group entered into an agreement with its lender to amend the amount available to be borrowed on its Bank Credit Facility. The amount available to be borrowed on the Bank Credit Facility was increased by $50.0 million to $125.0 million. Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at December 31, 2018, there was $30.0 million drawn on this facility. All other terms under the Bank Credit Facility remain the same. This facility does not have any financial covenants, however, Mullen Group cannot be in default of its Private Placement Debt and it must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has $4.1 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

Mullen Group's long-term debt is mainly comprised of 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 $1.2 million related to its Private Placement Debt have been netted against its carrying value at December 31, 2018 (December 31, 2017 – $1.5 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, the Bank Credit Facility, Various Financing Loans and Letters of Credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve 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 (iv) non-cash charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

Mullen Group entered into Cross-Currency Swaps to swap the Series G and Series H Notes into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. ▶ **For more information refer to Note 13**.

Mullen Group also has debt comprised of Various Financing Loans, which are secured by specific operating equipment.

The following table summarizes the Corporation's total debt:

		December 31, 2018		December 31, 2017
Current liabilities:				
Private Placement Debt	**$**	**—**	$	70,000
Various Financing Loans		**—**		781
Bank Credit Facility		**30,000**		—
		30,000		70,781
Non-current liabilities:				
Private Placement Debt		**482,185**		456,799
Various Financing Loans		**—**		—
		482,185		456,799
	$	**512,185**	$	527,580

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

The details of long-term debt, as at the date hereof, are as follows:

	Year of Maturity	Nominal Interest Rate	December 31, 2018 Face Value	December 31, 2018 Carrying Amount	December 31, 2017 Face Value	December 31, 2017 Carrying Amount
			$	**$**	$	$
Bank Credit Facility	—	Variable	**30,000**	**30,000**	—	—
Private Placement Debt	2024 - 2026	3.84% - 4.07%	**483,402**	**482,185**	528,281	526,799
Various Financing Loans	—	—	**—**	**—**	781	781
			513,402	**512,185**	529,062	527,580

20. 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.

	Note	# of Common Shares 2018	# of Common Shares 2017
Issued Common Shares at January 1		**103,654,316**	103,654,316
Common Shares issued on acquisition	**5**	**133,334**	—
Common Shares issued on conversion of Debentures	**17**	**1,037,323**	—
Issued Common Shares at December 31		**104,824,973**	103,654,316

21. Earnings per Share

Policy: Basic per share amounts are calculated using the weighted average number of Common Shares outstanding during the period. Diluted per share amounts are calculated considering the effects of all dilutive potential ordinary shares. Mullen Group's dilutive potential ordinary shares assumes dilutive stock options are exercised and that the proceeds obtained on the exercise of dilutive stock options would be used to purchase Common Shares at the average market price during the period. The weighted average number of Common Shares outstanding is then adjusted accordingly.

Supporting information:

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income (loss) attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income (loss) attributable to common shareholders for the year ended December 31, 2018, was $(43.8) million (2017 – $65.5 million). The weighted average number of Common Shares outstanding for the years ended December 31, 2018 and 2017 was calculated as follows:

	Note	Years ended December 31 2018	Years ended December 31 2017
Issued Common Shares at beginning of period	**20**	**103,654,316**	103,654,316
Effect of Common Shares issued	**5**	**66,484**	—
Effect of stock options exercised		**—**	—
Effect of Debentures converted	**17**	**552,708**	—
Weighted average number of Common Shares at end of period – basic		**104,273,508**	103,654,316

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

(b) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting net income (loss) 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 (loss) was adjusted as follows:

	Years ended December 31			
		2018		**2017**
Net income (loss)	**$**	**(43,787)**	$	65,509
Effect on finance costs from conversion of Debentures (net of tax)		**—**		—
Net income (loss) – adjusted	**$**	**(43,787)**	$	65,509

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

	Years ended December 31	
	2018	**2017**
Weighted average number of Common Shares – basic	**104,273,508**	103,654,316
Effect of conversion of Debentures	**—**	—
Weighted average number of Common Shares at end of period – diluted	**104,273,508**	103,654,316

For the year ended December 31, 2018, 3,462,500 stock options (2017 – 3,587,500) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended December 31, 2018 and 2017. For all the periods listed above, the Common Shares that would be issued upon conversion of the Debentures were excluded in the calculation as their effect was anti-dilutive. ▶ **For more information on Debentures and stock options, refer to Notes 17 and 26, respectively**.

22. Revenue

Policy: Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Mullen Group recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or goods to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an "over time" or "point in time" basis.

Mullen Group's primary service offering is the transportation of goods. The transportation of goods involves the physical process of transporting commodities and goods from point of origin to destination using company equipment and contracted owner operators. Each individual Business Unit offers published rates or signed master service agreements with specific customers that dictate future services it is to perform for a customer at the time a bill of lading or service request is received. Each bill of lading represents a separate distinct performance obligation that the company is obligated to satisfy. The transaction price is generally in the form of a fixed fee determined at the inception of the bill of lading. Transportation services revenue is recognized using the "over time" method.

Mullen Group's second highest revenue stream is logistics services. Logistics services involves the planning, implementing, and controlling the efficient, effective forward and reverse transport of goods. These services are governed by contract law. Mullen Group uses Subcontractors to perform the work. Subcontractors have their own insurance and operating authorities. When Mullen Group hires a Subcontractor, it remains the primary obligor, have the ability to set prices, retain the risk of loss in the event of a cargo claim and bear the credit risk of customer default. As such, Mullen Group acts as the principal of the arrangement and recognize revenue on a gross basis. Logistics services revenue is recognized using the "point in time" method.

In 2017, Mullen Group's revenue recognition policy was based upon orders and contracts with customers that include fixed or determinable prices and were based upon daily, hourly or contracted rates. Contract terms do not include the provision of post-service obligations. Revenue was recognized when services were rendered and when collectability of the consideration was probable.

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, technology and systems support, shared services and strategic planning (the "**Corporate Office**") for the Business Units. The Corporate Office also invests in certain public and private corporations. In addition, the Corporate Office, through its subsidiary MT Investments Inc. ("**MT**"), owns a network of real estate holdings and facilities that are leased primarily to the Business Units. Such properties are leased by MT to the Business Units on commercially reasonable terms. The day to day management of the Business Units is conducted at the subsidiary level.

At December 31, 2018, the Trucking/Logistics segment consisted of 15 Business Units, offering a diversified range of truckload and LTL general freight services to customers in Canada and the United States. The primary service offering of the Trucking/Logistics segment is transportation services. 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 road construction and the production, excavation and transportation of various aggregate products.

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

At December 31, 2018, the Oilfield Services segment consisted of 17 Business Units that utilize their highly trained personnel and equipment to provide specialized transportation services, drilling, well-servicing and dewatering services to the oil and natural gas industry. The primary service offering of the Oilfield Services segment is transportation services. The Oilfield Services segment provides services including the transporting of oversize and overweight shipments, conductor pipe setting, core drilling, casing setting, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, pipe stockpiling and stringing, a broad range of services related to the processing and production of heavy oil, including well servicing and handling, transportation and disposal of fluids, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation and drilling rig relocation services.

Disaggregation of revenue:

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

Year ended December 31, 2018		Trucking/ Logistics		Oilfield Services		Corporate		Intersegment eliminations		Total
Revenue by service line										
Transportation	$	**671,250**	$	**224,876**	$	**—**	$	**—**	$	**896,126**
Logistics		**119,312**		**6,739**		**—**		**—**		**126,051**
Other[(1)]		**94,319**		**161,738**		**5,071**		**—**		**261,128**
Eliminations		**(11,544)**		**(3,419)**		**—**		**(7,544)**		**(22,507)**
	$	**873,337**	$	**389,934**	$	**5,071**	$	**(7,544)**	$	**1,260,798**
Timing of revenue recognition										
Over time	$	**694,333**	$	**280,757**	$	**4,446**	$	**—**	$	**979,536**
Point in time		**190,548**		**112,596**		**625**		**—**		**303,769**
Eliminations		**(11,544)**		**(3,419)**		**—**		**(7,544)**		**(22,507)**
	$	**873,337**	$	**389,934**	$	**5,071**	$	**(7,544)**	$	**1,260,798**

(1) Included within other revenue is $46.3 million of rental revenue being recognized in accordance with IAS 17 - Leases with $37.6 million, $4.4 million and $4.3 million recorded in the Oilfield Services segment, Corporate and the Trucking/Logistics segment, respectively.

During the year, 93.4 percent of revenue was from the rendering of services, 3.9 percent of revenue was from the sale of goods and 2.7 percent was from construction contracts as compared to 92.7 percent, 4.7 percent, and 2.6 percent, respectively, for the year ended December 31, 2017.

23. Personnel Costs

	Years ended December 31			
		2018		**2017**
Wages, salaries and benefits	$	**371,437**	$	331,452
Stock-based compensation expense		**1,670**		1,128
	$	**373,107**	$	332,580

In 2018 personnel costs of $263.8 million (2017 – $236.2 million) were recognized within direct operating expenses and $109.3 million (2017 – $96.4 million) were recognized within selling and administrative expenses.

24. Operating Leases

Mullen Group is committed to payments under several operating leases until 2023 and thereafter. The majority of Mullen Group's operating leases are for land and buildings. Mullen Group also has operating leases for certain operating equipment. Mullen Group has operating lease commitments as follows:

		December 31, 2018		December 31, 2017
Less than one year	$	**11,713**	$	9,348
Between one and five years		**24,395**		13,869
More than five years		**10,032**		76
	$	**46,140**	$	23,293

Total operating lease payments for the year ended December 31, 2018, were $13.8 million (2017 – $9.5 million).

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

25. Finance Costs

	Years ended December 31	
	2018	**2017**
Interest expense on financial liabilities measured at amortized cost	**$ 21,917**	$ 29,234
Accretion on debt	**241**	775
Finance expense	**22,158**	30,009
Less: Interest income from cash and cash equivalents	**(2,131)**	(2,510)
Finance costs	**$ 20,027**	$ 27,499

26. Share-Based Compensation Plans

Mullen Group grants stock options to directors, officers, employees and consultants of Mullen Group or its affiliates under its stock option plan ("**Stock Option Plan**"). Options under the Stock Option Plan are normally granted at the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five to ten years from the date of grant.

Estimates: Mullen Group estimates the fair value of its stock options using the Black-Scholes option pricing model. This requires the estimation of certain variables including: the expected risk-free interest rate, the expected life of the stock option, the forfeiture rate, the expected dividend yield of Mullen Group's Common Shares and expected share price volatility.

Judgement: The estimation of certain variables within the Black-Scholes model require judgement. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. In determining the expected term of the option grants, Mullen Group has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant. The expected forfeiture rate was determined based on the Corporation's prior historical forfeiture rates on the date of grant. This estimate is adjusted to reflect the actual experience. The expected dividend yield of Mullen Group's Common Shares over the expected term of the option was determined based on the Corporation's dividend policy on the date of grant. The expected stock price volatility at the time of the particular stock option grant, Mullen Group relies on observations of historical volatility trends.

Policy: Mullen Group accounts for stock-based compensation using the fair-value method of valuing any stock options granted using the Black-Scholes model. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus less an estimated forfeiture rate. The forfeiture rate is based on past experience of actual forfeitures. When options are exercised, the proceeds received by Mullen Group, along with the amount in contributed surplus, will be credited to share capital.

Supporting information:

On May 3, 2017, Mullen Group's shareholders approved a resolution to amend the Stock Option Plan. The amendment increases the number of Common Shares reserved for issuance by 4,000,000. As such, 3,305,000 (2017 – 3,180,000) options are available to be issued under the Stock Option Plan as at December 31, 2018. Each stock option will entitle the option-holder to acquire one Common Share of Mullen Group. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to five years and expire in five to ten years.

Volatility was determined on the basis of the daily closing prices over a historical period corresponding to the expected term of the options.

Stock Option Plan:	**Options**	**Weighted average exercise price**
Outstanding December 31, 2016	2,157,500	$ 20.98
Granted	1,520,000	16.72
Exercised	—	—
Forfeited	(90,000)	(19.81)
Outstanding December 31, 2017	3,587,500	$ 19.20
Granted	80,000	16.28
Exercised	—	—
Forfeited	(205,000)	(19.00)
Outstanding December 31, 2018	**3,462,500**	**$ 19.15**
Stock options exercisable December 31, 2017	1,087,500	$ 21.21
Stock options exercisable December 31, 2018	**2,422,490**	**$ 20.21**

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

The range of exercise prices for options outstanding at December 31, 2018 was as follows:

	Options Outstanding				Exercisable Options		
Range of Exercise Prices	Number	Weighted average remaining contractual life (years)		Weighted average exercise price	Number		Weighted average exercise price
$16.15 to $16.72	1,647,500	8.28	$	16.67	607,490	$	16.64
$16.73 to $20.77	1,270,000	5.20		20.35	1,270,000		20.35
$20.78 to $28.07	545,000	4.18		23.85	545,000		23.85
$16.15 to $28.07	3,462,500	6.50	$	19.15	2,422,490	$	20.21

The following weighted average assumptions were used to determine the fair value of options issued in 2018 under the Stock Option Plan on the date of grant:

	2018	2017
Fair value	**2.65**	3.31
Risk-free interest rate	**2.15%**	1.73%
Expected life	**5 years**	5 years
Forfeiture rate	**5.0% per annum**	5.0% per annum
Expected dividend	**$0.60 per share per annum**	$0.36 per share per annum
Expected share price volatility	**26.4**	26.3

27. Other (Income) Expense

	Years ended December 31			
		2018		2017
Change in fair value of investments	**$**	**3,135**	$	770
Loss on sale of property, plant and equipment		**281**		1,762
Gain on contingent consideration		**—**		(2,000)
Gain on fair value of equity investment		**—**		(1,555)
Earnings from equity investments		**(3,875)**		(1,493)
Accretion on asset retirement obligations		**14**		12
Other (income) expense	**$**	**(445)**	$	(2,504)

▶ For more information on the gain on contingent consideration and the gain on fair value of equity investment, refer to Note 5.

28. Contingent Liabilities

Mullen Group is involved in various claims and actions arising in the course of its operations and is subject to various legal actions and possible claims. Although the outcome of these claims cannot be predicted with certainty, Mullen Group does not expect these matters to have a material adverse effect on its financial position, cash flows or results from operations. Accruals for litigation, claims and assessments are recognized if Mullen Group determines that the loss is probable and the amount can be reasonably estimated. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Mullen Group's consolidated net earnings in the period in which the outcome is determined.

29. Capital Commitments

Capital expenditures approved and committed to but not provided for in these accounts at December 31, 2018, amounted to $18.0 million. The majority of these capital expenditure commitments will be completed in fiscal 2019.

30. Financial Instruments

Mullen Group's operating activities expose it to a variety of financial risks. These financial risks consist of certain credit, liquidity, and market risks associated with Mullen Group's financial assets and financial liabilities. Mullen Group has established and follows certain policies and procedures to mitigate these risks and continually monitors its exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative financial instruments for trading or speculative purposes. The following details Mullen Group's exposure to credit, liquidity, and market risks.

(a) Credit Risk

Credit risk is the possibility of a financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from Mullen Group's trade and other receivables from its customers. The carrying amount of financial assets represents Mullen Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

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

Carrying amount	Note		December 31 2018		December 31 2017
Cash and cash equivalents	**6**	**$**	**3,916**	$	134,533
Trade and other receivables	**7**		**218,089**		175,303
Derivative financial instruments	**13**		**42,211**		25,627
Other assets	**14**		**4,830**		8,490
		$	**269,046**	$	343,953

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. Mullen Group also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. In the unlikely event of default by its customers, Mullen Group secures a security interest for items in possession prior to commencing work and registers liens when appropriate. Further, the federal *Bill of Lading Act,* its provincial counterparts and various other acts afford Mullen Group further protection in the event of default. Mullen Group also attends industry forums to assess credit worthiness of customers related predominately to the oil and natural gas industry. No customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2018 and 2017.

Impairment losses arise when trade receivables are written off directly against the financial asset, which results from customers who cannot pay their outstanding balance. In 2018 an impairment loss of $0.4 million (2017 – $1.2 million) was recognized which related to customers that were not able to pay their outstanding balances, mainly due to the customer having insufficient cash or other financial assets. During the period, the impairment loss as a percentage of consolidated revenue was less than 0.04 percent (2017 – 0.1 percent). Mullen Group establishes, on a specific account basis, an allowance for impairment loss that represents its estimate of potential losses in respect of trade receivables. ▶ **For more information refer to Note 7**.

(b) Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to satisfy its obligations associated with its financial liabilities that are to be settled by delivering cash as they become due. Mullen Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit facilities to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Mullen Group manages liquidity risk by preparing, monitoring and approving annual operating budgets to ensure it has sufficient cash to meet operational requirements, and to ensure its ongoing compliance with its Private Placement Debt covenants. The Board also considers liquidity risk when approving Mullen Group's annual net capital expenditure budget and when declaring dividends to shareholders. Mullen Group's surplus cash is invested in short-term highly liquid term deposits. At December 31, 2018, Mullen Group had $30.0 million drawn on its $125.0 million Bank Credit Facility. ▶ **For more information refer to Note 19**.

The following are the contractual maturities of financial liabilities, excluding the impact of any option to purchase equipment at the end of the term:

December 31, 2018		Carrying amount		Contractual cash flows		Twelve months or less		2020 - 2021		2022 - 2023		Thereafter
Private Placement Debt*	$	482,185	$	483,402	$	—	$	—	$	—	$	483,402
Interest on Private Placement Debt*		3,638		132,672		18,980		37,960		37,960		37,772
Bank indebtedness		30,000		30,000		30,000		—		—		—
Accounts payable and accrued liabilities(1)		95,638		95,638		95,638		—		—		—
Dividends payable		5,241		5,241		5,241		—		—		—
Total	$	616,702	$	746,953	$	149,859	$	37,960	$	37,960	$	521,174

* *Assumes a U.S. dollar foreign exchange rate of $1.3642.*

(1) *Accounts payable and accrued liabilities of $95,638 plus $3,638 of interest on Private Placement Debt agrees to the $99,276 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.*

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

December 31, 2017	Carrying amount	Contractual cash flows	Twelve months or less	2019 - 2020	2021 - 2022	Thereafter
Private Placement Debt*	$ 526,799	$ 528,281	$ 70,000	$ —	$ —	$ 458,281
Interest on Private Placement Debt*	3,451	145,861	20,019	36,006	36,006	53,830
Debentures – debt component	12,393	12,445	12,445	—	—	—
Various Financing Loans	781	781	781	—	—	—
Accounts payable and accrued liabilities(1)	84,770	84,770	84,770	—	—	—
Dividends payable	3,110	3,110	3,110	—	—	—
Total	$ 631,304	$ 775,248	$ 191,125	$ 36,006	$ 36,006	$ 512,111

* *Assumes a U.S. dollar foreign exchange rate of $1.2545.*

(1) *Accounts payable and accrued liabilities of $84,770 plus $3,451 of interest on Private Placement Debt agrees to the $88,221 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.*

All of the above amounts relate to non-derivative financial instruments.

(c) Market Risk

Market risk is the potential for adverse changes associated with fluctuations in foreign exchanges rates, interest rates and equity prices and their corresponding impact on the fair value or future cash flows of Mullen Group's financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Foreign Exchange Risk

Foreign exchange risk arises as Mullen Group enters into commercial transactions that are not denominated in its functional currency. Mullen Group is exposed to foreign exchange risk, primarily with respect to the U.S. dollar which mainly arises from its U.S. $229.0 million Senior Guaranteed Unsecured Notes ("**U.S. Notes**"). These U.S. Notes mature in 2024 (U.S. $117.0 million) and in 2026 (U.S. $112.0 million). Mullen Group has mitigated its foreign exchange risk with respect to the principal portion of its U.S. Notes by entering into the Cross-Currency Swaps. Annual interest of U.S. $8.9 million is payable on these U.S. Notes which also exposes Mullen Group to foreign exchange risk. This foreign exchange risk is mitigated as some of Mullen Group's Business Units generate a portion of their revenue in U.S. dollars in excess of their U.S. dollar expenses. At December 31, 2018, Mullen Group had U.S. dollar cash of $7.4 million (2017 – $2.2 million), U.S. dollar trade receivables of $6.4 million (2017 – $7.6 million) and U.S. dollar accounts payable and accrued liabilities of $2.3 million (2017 – $2.5 million). Mullen Group does not hedge any of its U.S. dollar denominated commercial and financing transactions.

All of the amounts expressed in the following table are in U.S. dollars and set forth Mullen Group's exposure to foreign currency risk:

	December 31 2018	December 31 2017
Cash and cash equivalents	**$ 7,443**	$ 2,195
Trade and other receivables	**6,419**	7,566
Derivative financial instruments	**30,942**	20,428
Private Placement Debt	**(229,000)**	(229,000)
Accounts payable and accrued liabilities	**(2,338)**	(2,516)
Net exposure	**$ (186,534)**	$ (201,327)

At December 31, 2018, assuming all other variables were held constant, a $0.01 strengthening of the Canadian dollar relative to the U.S. dollar would have increased income before income taxes by approximately $1.9 million. Similarly, a $0.01 weakening of the Canadian dollar relative to the U.S. dollar at December 31, 2018 would have had the equal but opposite effect on income before income taxes.

(ii) Interest Rate Risk and Fair Value Sensitivity Analysis for Fixed Rate Instruments

Interest rate risk arises on borrowings issued at variable rates which exposes risk to future cash flows if interest rates were to rise. This risk would be partially offset by cash held at variable rates. Mullen Group's Private Placement Debt and its Various Financing Loans are issued at fixed rates, while the Bank Credit Facility is issued at variable rates. Borrowings issued at fixed rates expose Mullen Group to fair value interest rate risk. Mullen Group is susceptible to the opportunity costs associated with interest rate decreases as the interest rate on the majority of its borrowings is at fixed interest rates. Assuming all other variables were held constant, if interest rates increase by 1.0 percent on the $482.2 million of Mullen Group's Private Placement Debt, Mullen Group would incur additional annual interest expense of approximately $4.8 million. Mullen Group does not account for any fixed rate financial assets and liabilities at FVTPL. Mullen Group does not hedge interest rates or have any interest rate swaps.

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

(iii) Price Risk

Price risk arises from changes in quoted prices on investments in equity securities that impact the underlying value of investments. Mullen Group has investments measured at fair value with an initial cost of $18.5 million. A $3.1 million decrease in the fair value of these investments was recorded in 2018 as compared to a $0.7 million decrease in 2017. Mullen Group recorded a $15.7 million decrease in the fair value of these investments on a cumulative basis. Assuming all other variables were held constant, a 1.0 percent increase in the value of the investments would have increased income before income taxes by approximately $0.1 million. Similarly, a 1.0 percent decrease in the value of investments would have an equal but opposite effect on income before income taxes.

(d) Capital Management

Mullen Group's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, and manage capital that will maintain compliance with its financial covenants so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Mullen Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Mullen Group may adjust the amount of dividends paid to shareholders, issue new debt, sell assets to reduce debt, or issue new shares.

Consistent with others in the industry, Mullen Group also monitors capital on the basis of debt-to-equity and total debt to operating cash flow. The debt-to-equity ratio is calculated as total debt divided by equity. Total debt is calculated as the total of bank indebtedness, current portion of long-term debt, long-term debt and the debt component of Debentures. Equity comprises all of the components of equity (i.e. share capital, Debentures – equity component, contributed surplus and retained earnings (deficit). Mullen Group's strategy is to maintain its debt-to-equity ratio below 1:1. The debt-to-equity ratio calculations at December 31, 2018 and at December 31, 2017 were as follows:

		December 31 2018		December 31 2017
Bank indebtedness	$	**30,000**	$	—
Current portion of long-term debt		**—**		70,781
Long-term debt		**482,185**		456,799
Debentures – debt component		**—**		12,393
Total debt		**512,185**		539,973
Share capital		**946,910**		933,303
Debentures – equity component		**—**		550
Contributed surplus		**15,477**		13,807
Retained earnings (deficit)		**(64,311)**		42,071
Equity	$	**898,076**	$	989,731
Debt to equity		**0.57:1**		0.55:1

Mullen Group also monitors capital on the basis of total debt to operating cash flow. The total debt to operating cash flow ratio is calculated as per the Private Placement Debt agreements. Other than the financial covenants under its Private Placement Debt, Mullen Group is not subject to externally imposed capital requirements. ▶ **For more information refer to Note 19**.

31. Subsidiaries

The tables set forth below provide information relative to Mullen Group's significant subsidiaries and its Business Units, including each entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Mullen Group, a brief description of the entity, and the market areas served, if applicable. The percentages of ownership set forth below include the approximate one percent interest owned by the general partner of each limited partnership.

Significant Subsidiaries:

Company (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (directly / indirectly)	Overview	Primary Market Area
MT Investments Inc. (Alberta)	100%	Wholly-owned subsidiary of Mullen Group Ltd. It was formed on July 1, 2005, when Mullen Transportation Inc. was amalgamated with certain other corporations pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) to form a corporation known as MT Investments Inc.	N/A
MGL Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on December 22, 2016. It is the limited partner of various Business Units.	N/A

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

Trucking/Logistics segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Bernard Transport Ltd.[1] (Alberta)	100%	Northwestern Alberta
Caneda Transport Ltd. (Alberta)	100%	Canada and U.S.
Cascade Carriers L.P. (Alberta)	100%	Western Canada
Courtesy Freight Systems Ltd. (Ontario)	100%	Northwestern Ontario
DWS Logistics Inc.[2] (Ontario)	100%	Ontario and British Columbia
Gardewine Group Limited Partnership[3] (Manitoba)	100%	Manitoba and Ontario
Grimshaw Trucking L.P. (Alberta)	100%	Western Canada
Hi-Way 9 Group of Companies, consisting of Hi-Way 9 Express Ltd., Load-Way Ltd. and Streamline Logistics Inc.[1] [4] (Alberta)	100%	Western Canada
Jay's Transportation Group Ltd. (Saskatchewan)	100%	Saskatchewan
Kleysen Group Ltd. (Alberta)	100%	Western Canada
Mullen Trucking Corp.[5] (Alberta)	100%	Canada and U.S.
Payne Transportation Ltd.[6] (Alberta)	100%	Canada and U.S.
RDK Transportation Co. Inc.[7] (Saskatchewan)	100%	Canada and U.S.
Smook Contractors Ltd. (Manitoba)	100%	Northern Manitoba
Tenold Transportation Ltd.[8] (Alberta)	100%	Canada and U.S.

(1) *On January 1, 2019, the operations of Bernard Transport Ltd. were combined into the Hi-Way 9 Group of Companies.*
(2) *Acquired February 9, 2018.*
(3) *Includes S. Krulicki & Sons Ltd., operating as Winnipeg Moving & Storage and Brandon Moving, which was acquired on October 1, 2017.*
(4) *Includes Golden Transport Ltd. and Dacota Freight Services Ltd., which were acquired on August 1, 2017 and April 6, 2018, respectively.*
(5) *Includes Marshall Trucking Inc., which was acquired on November 1, 2017.*
(6) *Includes Kel-West Carriers Ltd., which was acquired on January 31, 2017.*
(7) *Acquired September 1, 2017.*
(8) *Includes the business and assets contributed to Number 8 Freight Ltd., which were acquired on August 1, 2018.*

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

Oilfield Services segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Canadian Dewatering L.P. (Alberta)	100%	Western Canada
Cascade Energy Services L.P.[1] (Alberta)	100%	Western Canada
Canadian Hydrovac Ltd.[2] (Alberta)	100%	Western Canada
E-Can Oilfield Services L.P.[1] (Alberta)	100%	Western Canada
Envolve Energy Services Corp.[3] (Alberta)	100%	Western Canada
Formula Powell L.P. (Alberta)	100%	Western Canada
Heavy Crude Hauling L.P.[1] (Alberta)	100%	Western Canada
Mullen Oilfield Services L.P. (Alberta)	100%	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Western Canada
Pe Ben Oilfield Services L.P. (Alberta)	100%	Western Canada
Premay Equipment L.P. (Alberta)	100%	Western Canada
Premay Pipeline Hauling L.P. (Alberta)	100%	Western Canada
R. E. Line Trucking (Coleville) Ltd. (Saskatchewan)	100%	Western Canada
Recon Utility Search L.P. (Alberta)	100%	Western Canada
Spearing Service L.P. (Alberta)	100%	Western Canada
TREO Drilling Services L.P. (Alberta)	100%	Western Canada
Withers L.P. (Alberta)	100%	Western Canada

[1] *Includes a portion of AECOM's Canadian Industrial Services Division, which was acquired on June 25, 2018.*
[2] *Acquired on July 1, 2018.*
[3] *Acquired March 17, 2017, and operates one disposal facility in the Grande Prairie, Alberta region.*

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

32. Changes in non-cash working capital items from operating activities

	Years ended December 31	
	2018	**2017**
Trade and other receivables	**$ (26,186)**	$ (16,867)
Inventory	**(3,674)**	(43)
Prepaid expenses	**(89)**	(1,404)
Accounts payable and accrued liabilities	**3,497**	5,979
	$ (26,452)	$ (12,335)

33. Operating Segments

Judgements: Judgements are made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated based upon similar economic characteristic and other similarities.

Policy: Business Units are grouped into two distinct operating segments: Trucking/Logistics and Oilfield Services (the "**Operating Segments**"), both of which are supported by a Corporate segment. The Business Units within each of the Operating Segments share common economic characteristics and are differentiated by the type of service provided, equipment requirements and customer needs. The Operating Segments' financial results are reviewed regularly by the Corporation's chief operating decision-makers who make decisions about resource allocation and assess segment performance based on the internally prepared segment information.

Supporting information:

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		
Year ended December 31, 2018	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**873,337**	**389,934**	**5,071**	**(5,777)**	**(1,767)**	**1,260,798**
Income (loss) before income taxes	**73,393**	**(90,452)**	**(9,534)**	**—**	**—**	**(26,593)**
Depreciation of property, plant and equipment	**23,502**	**42,212**	**6,336**	**—**	**—**	**72,050**
Amortization of intangible assets	**11,969**	**3,470**	**—**	**—**	**—**	**15,439**
Capital expenditures[(1)]	**52,034**	**29,011**	**20,574**	**(39)**	**(1,871)**	**99,709**
Total assets at December 31, 2018	**573,859**	**501,857**	**570,136**	**—**	**—**	**1,645,852**

[(1)] Excludes business acquisitions

				Intersegment eliminations		
Year ended December 31, 2017	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	$	$	$	$	$
Revenue	761,379	378,375	4,354	(4,655)	(964)	1,138,489
Income before income taxes	62,485	10,529	9,272	—	—	82,286
Depreciation and impairment of property, plant and equipment	21,154	48,097	6,167	—	—	75,418
Amortization of intangible assets	7,742	3,410	—	—	—	11,152
Capital expenditures[(1)]	23,425	8,470	2,665	(143)	(1,358)	33,059
Total assets at December 31, 2017	526,663	565.957	658,037	—	—	1,750,657

[(1)] Excludes business acquisitions

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

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.

34. Related Party Disclosures

(a) Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of Mullen Group, including all of its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a combination of retainer fees and meeting attendance fees. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and share-based compensation payments. Executives of Mullen Group do not have formal employment contracts. Similar to the employment processes established for all Mullen Group employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with Mullen Group. Mullen Group has no agreement or arrangement with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Business Units or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows: ▶ **For more information refer to Note 26**.

	Years Ended December 31			
Category		**2018**		**2017**
Salaries and benefits (including profit share)	**$**	**1,569**	$	1,418
Share-based payments		**61**		41
Total	**$**	**1,630**	$	1,459

Mullen Group had no outstanding amounts owing to or amounts receivable from directors or officers at December 31, 2018, and 2017, with respect to the overall compensation program for executives. As at December 31, 2018, directors and officers of Mullen Group collectively held 5,498,699 Common Shares (2017 – 6,291,074) representing 5.3 percent (2017 – 6.1 percent) of all Common Shares of the Corporation.

(b) Related Party Transactions

During the year, Mullen Group generated revenue of $7,670 (2017 – $0.1 million) and incurred expenses of $6,300 (2017 – $16,000) with entities that are related by virtue of a certain member of the Board having control or joint control over the other entities. There were no (2017 – $6,000) accounts receivable amounts due from these related parties as at December 31, 2018.

During the year, Mullen Group generated revenue of $3.0 million (2017 – $2.0 million), incurred expenses of $0.2 million (2017 – $0.1 million) and sold $0.1 million (2017 – $0.1 million) of property, plant and equipment with its equity investees, which are accounted for by the equity method of accounting. As at December 31, 2018, there was $0.4 million (2017 – $0.1 million) of accounts receivable amounts due from equity investees and there was $19,931 (2017 – nil) of accounts payable amounts due to these related party transactions. At December 31, 2018, Mullen Group had $8.9 million (10.0 percent annual interest rate) and $3.2 million (8.5 percent annual interest rate) of debentures owing from Thrive and PCX, respectively. Interest is calculated and payable semi-annually. The debenture with Thrive matures in September 2019, while the PCX debenture matures in December 2020.

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

CORPORATE INFORMATION

DIRECTORS | OFFICERS

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

Greg Bay, CFA
Lead Director

Stephen H. Lockwood, Q.C.
Director

Christine McGinley, CPA, CA, ICD.D
Director

David E. Mullen
Director

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

Sonia Tibbatts, MBA
Director

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

Richard J. Maloney
Senior Vice President

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

Carson Urlacher, CPA, CA
Corporate Controller

CORPORATE OFFICE

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BANKER

The Royal Bank of Canada
Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
Toronto, Ontario
Telephone: 1-800-564-6253
Internet: www.investorcentre.com
Shareholder Inquiries:
www.investorcentre.com/service

ONLINE INFORMATION

*To receive news releases by email,
or to review this report online,
please visit Mullen Group's website at*
***www.mullen-group.com*.**

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