Mullen Group Ltd.

INTERIM REPORT

QUARTER TWO

FOR THE PERIOD ENDED
JUNE 30, 2018

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CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated July 25, 2018, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three and six month periods ended June 30, 2018, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2017 (the "**Annual Financial Statements**"), together with the Management's Discussion and Analysis thereon (the "**2017 MD&A**"), and (ii) the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2018 (the "**Interim Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information are available on SEDAR at www.sedar.com and at www.mullen-group.com. These documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on July 25, 2018.

ACCOUNTING PRINCIPLES

The Interim Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). The Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements. Unless otherwise indicated, all amounts contained in this MD&A are in Canadian funds, which is the functional currency of the Corporation.

ADVISORY:

Forward-looking statements *- This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are reduced oil and natural gas drilling, decreased oil sands and heavy oil activity, a slowdown in the general economy, currency exchange rates, change in the return on fair value of investments, prevailing interest rates, regulatory framework governing taxes and environmental matters in the jurisdictions in which the Corporation conducts and will conduct its business, customer relationships, labour disruption and driver retention, accidents, cost of liability insurance, fuel prices, ability to access sufficient capital from internal and external sources and changes in legislation including but not limited to tax laws and environmental regulations. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 64 of the 2017 MD&A as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 54 of this MD&A.*

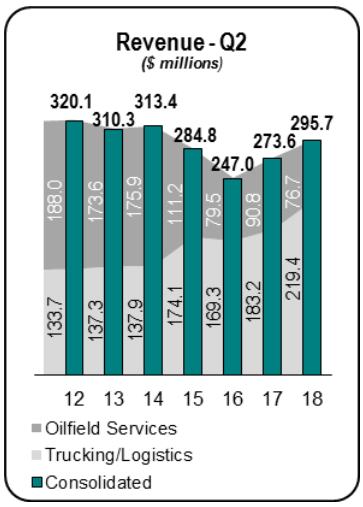
Non-GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition,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

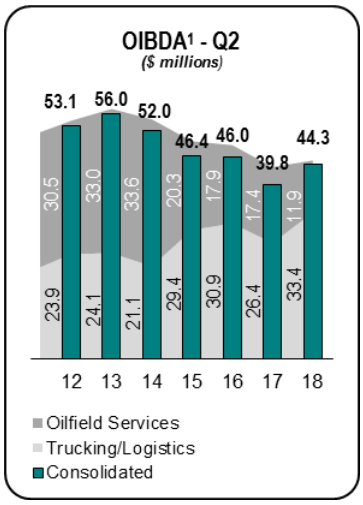
HIGHLIGHTS FOR THE QUARTER

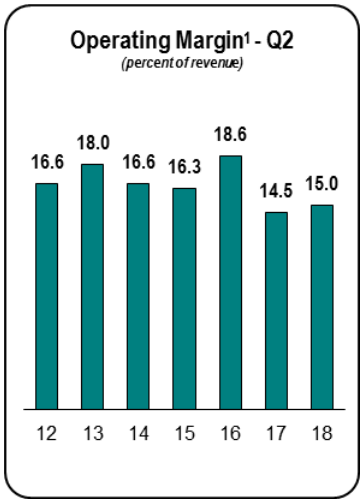
PERFORMANCE: (unaudited) ($ millions, except share price and per share amounts)	Three month periods ended June 30			Six month periods ended June 30		
	2018	2017	% Change	2018	2017	% Change
Financial Results						
Revenue	**$ 295.7**	$ 273.6	8.1	**$ 587.8**	$ 558.5	5.2
Operating income before depreciation and amortization[1]	**44.3**	39.8	11.3	**82.2**	81.5	0.9
Operating income before depreciation and amortization – adjusted[2]	**44.1**	42.3	4.3	**81.9**	85.0	(3.6)
Net foreign exchange loss (gain)	**1.9**	(9.4)	(120.2)	**8.1**	(11.7)	(169.2)
Decrease (increase) in fair value of investments	**(0.4)**	0.2	(300.0)	**1.1**	1.2	(8.3)
Net income	**13.9**	19.6	(29.1)	**15.4**	34.1	(54.8)
Net income – adjusted[2]	**15.3**	9.9	54.5	**24.6**	21.5	14.4
Net cash from operating activities	**35.9**	35.5	1.1	**57.7**	39.8	45.0
Cash dividends declared	**15.6**	9.4	66.0	**31.1**	18.7	66.3
Financial Position						
Cash and cash equivalents	**$ 22.7**	$ 250.0	(90.9)	**$ 22.7**	$ 250.0	(90.9)
Long-term debt (includes the current portion thereof and the debt component of Debentures)	**473.3**	681.0	(30.5)	**473.3**	681.0	(30.5)
Total assets	**1,684.3**	1,874.1	(10.1)	**1,684.3**	1,874.1	(10.1)
Share Information						
Cash dividends declared per Common Share	**$ 0.15**	$ 0.09	66.7	**$ 0.30**	$ 0.18	66.7
Earnings per share – basic and diluted	**$ 0.13**	$ 0.19	(31.6)	**$ 0.15**	$ 0.33	(54.5)
Earnings per share – adjusted[2]	**$ 0.15**	$ 0.10	50.0	**$ 0.24**	$ 0.21	14.3
Share price – June 30	**$ 15.49**	$ 16.00	(3.2)	**$ 15.49**	$ 16.00	(3.2)
Other Information						
Net capital expenditures[2]	**$ 13.2**	$ 4.1	222.0	**$ 23.2**	$ 5.9	293.2
Acquisitions	**$ 27.9**	$ —	100.0	**$ 36.2**	$ 15.6	132.1

(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".*







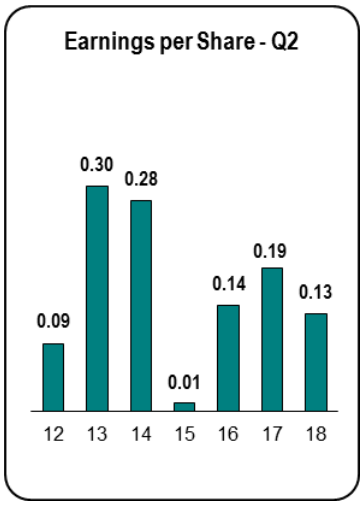
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

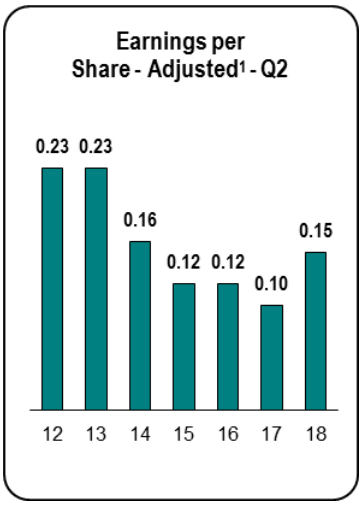
POSITION:

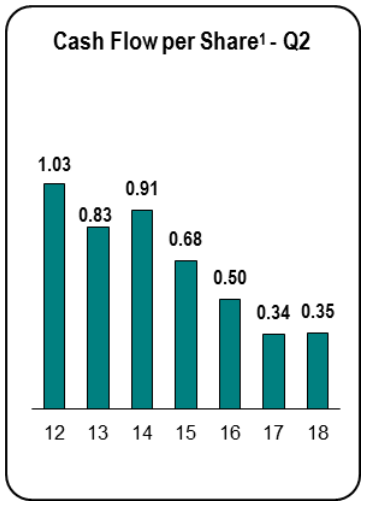
- Repaid $70.0 million of Series D Notes that matured on June 30, 2018
- Working capital: $161.8 million (includes $22.7 million of cash and cash equivalents after repaying the Series D Notes)
- Net debt[1] of $309.4 million, which represents a debt to OIBDA ratio of 1.79:1
- Continued to maintain a strong balance sheet with approximately $200.0 million of additional debt capacity

PROGRESS:

- Revenue growth of 8.1 percent on a year over year basis:
  - Record quarterly Trucking/Logistics segment results – revenue up 19.8 percent to $219.4 million
  - Oilfield Services segment decreased by 15.5 percent to $76.7 million
- OIBDA was up slightly from prior year:
  - Record second quarter Trucking/Logistics segment results – OIBDA up 26.5 percent to $33.4 million
  - Oilfield Services segment declined by 31.6 percent to $11.9 million
- Net income down 29.1 percent to $13.9 million due to the negative impact of foreign exchange; net income – adjusted[1] up 54.5 percent to $15.3 million on record quarterly Trucking/Logistics segment results
- Completed three acquisitions including; two Oilfield Services segment acquisitions – AECOM's Canadian Industrial Services Division and Canadian Hydrovac Ltd.; and a small tuck-in acquisition in the Trucking/Logistics segment
- Continued to replace and fund growth opportunities in the Trucking/Logistics segment with net capital expenditures[1] increasing by $11.8 million to $14.9 million







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

EXECUTIVE SUMMARY

This was an active quarter for our organization. We completed three acquisitions of companies based in western Canada where we view business prospects are poised to improve and a recovery in the oil and natural gas sector to be close after three very challenging years. We also continued to invest in our Trucking/Logistics segment giving our 15 Business Units (as hereafter defined on page 7) in this segment the best opportunity to continue capitalizing in the tightening supply chain. We used our excess cash on the balance sheet to pay the $70.0 million Series D Notes that matured on June 30, 2018, reducing our overall debt position. And now with no significant debt repayments required until 2024, we are very well positioned to consider a variety of options that can bring future value to our shareholders.

All in all we are most pleased with the performance of our Trucking/Logistics segment and this despite a Canadian economy that is barely growing. Clearly our Oilfield Services segment results were once again disappointing, however, we are of the belief this will improve with the acquisitions we have completed along with our expectation that the oil and natural gas industry is poised to increase capital spending and drilling activity in western Canada once again. It was precisely for these reasons that we are increasing our capital budget to $60.0 million, an increase of $20.0 million for the balance of 2018. We want to ensure our Business Units are prepared for a recovery. We will, however, have to remain vigilant because we are starting to see costs escalate with low unemployment, the low Canadian dollar and tariffs, factors that definitely drive higher costs.

We operate a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ended June 30, 2018 are as follows:

- generated consolidated revenue of $295.7 million, an increase of $22.1 million, or 8.1 percent, as compared to $273.6 million in 2017 due to:
    - record revenue in the Trucking/Logistics segment, a $36.2 million increase to $219.4 million
    - a $14.1 million decline in the Oilfield Services segment
- earned consolidated OIBDA of $44.3 million, an increase of $4.5 million as compared to $39.8 million in 2017 due to:
    - record second quarter OIBDA of $33.4 million in the Trucking/Logistics segment
    - a $5.5 million decrease in the Oilfield Services segment
    - a $3.0 million decrease in Corporate Office (as hereafter defined on page 7) costs due to a $2.7 million positive variance in foreign exchange
- adjusting for the impact of foreign exchange at Corporate Office, operating income before depreciation and amortization ("**OIBDA – adjusted**")[1] was $44.1 million, or 14.9 percent of revenue, as compared to $42.3 million, or 15.5 percent of revenue, in 2017. These results more accurately reflect our operating performance.

Second Quarter Financial Results

Revenue increased by $22.1 million, or 8.1 percent, to $295.7 million and is summarized as follows:

- Trucking/Logistics segment grew by $36.2 million, or 19.8 percent, to $219.4 million – a record compared to any previous quarterly period. Incremental revenue from acquisitions was $13.3 million while fuel surcharge revenue rose by $6.5 million. Growth resulted from a combination of rate increases due to tightness in the supply chain and from increased demand in western Canada for both less-than-truckload ("**LTL**") and truckload services.
- Oilfield Services segment declined by $14.1 million, or 15.5 percent – a decline of $6.6 million in our specialized services Business Units, most notably from the delay of various pipeline stringing projects and from lower demand for specialized heavy haul transportation services. Lower drilling activity combined with greater competition led to revenue declines, particularly at our pipe and tubular Business Units. Revenue generated by those Business Units involved in the transportation of fluids and servicing of wells also declined due to reduced demand and intense competition.

OIBDA increased by $4.5 million, or 11.3 percent, to $44.3 million and is summarized as follows:

- Trucking/Logistics segment grew by $7.0 million, or 26.5 percent, to $33.4 million – a record compared to any previous second quarter. Our LTL Business Units accounted for $3.8 million of this increase while acquisitions accounted for $1.5 million of incremental growth. As a percentage of revenue, operating margin[1] increased by

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

0.8 percent to 15.2 percent due to higher margins resulting from rate increases as tightening industry capacity more than offset the rise in inflationary costs and the lower margins generated by our recent acquisitions.

- Oilfield Services segment down by $5.5 million to $11.9 million – specialized services Business Units declined by $2.4 million while those Business Units tied to drilling related activity including pipe handling and storage declined by $2.1 million. Operating margin[1] decreased to 15.5 percent from 19.2 percent in 2017 due to higher direct operating expenses related to fuel, contractors, and repairs and maintenance; and higher selling and administrative expenses as a percentage of segment revenue due to the fixed nature of these expenses.

Net income decreased by $5.7 million to $13.9 million, or $0.13 per Common Share due to:

- An $11.3 million negative variance in net foreign exchange, a $2.5 million increase in income tax expense and a $1.4 million increase in depreciation and amortization expense.
- The above was partially offset by a $4.5 million increase in OIBDA, a $2.3 million decrease in finance costs, a $1.3 million increase in the gain on sale of property, plant and equipment, a $0.8 million increase in earnings from equity investments and a $0.6 million positive variance in the fair value of investments.

Net income – adjusted[1] increased by 54.5 percent to $15.5, or $0.15 per Common Share.

Financial Position

The following summarizes our financial position as at June 30, 2018, along with some of the key changes that occurred during the second quarter of 2018:

- Repaid $70.0 million of Series D Notes, which matured on June 30, 2018, thereby reducing our annualized interest expense by $4.0 million.
- Exited the second quarter with working capital of $161.8 million, which included $22.7 million of cash and cash equivalents after repaying the Series D Notes.
- Total net debt[1] ($444.3 million) to operating cash flow ($177.2 million) of 2.51:1 as defined per our Private Placement Debt (as hereafter defined on page 16) agreement.
- Our financial covenant calculation of 2.51:1 remained relatively consistent as compared to the 2.54:1 as at March 31, 2018. The Covenant Relief Period (as hereafter defined on page 11) expired after the first quarter of 2018 whereby our cash in excess of $50.0 million is no longer used in our calculation of total net debt[1] for covenant purposes.
- Total debt decreased by $74.2 million to $473.3 million (March 31, 2018 – $547.5 million) mainly due to the $70.0 million repayment of the Series D Notes and $10.4 million of Debenture (as hereafter defined on page 11) conversions being somewhat offset by a $6.3 million foreign exchange loss on our U.S. $229.0 million debt.
- The value of our Cross-Currency Swaps (as hereafter defined on page 17) increased by $4.3 million to $31.8 million (March 31, 2018 – $27.5 million), which swaps the principal portion of our U.S. $229.0 million debt to a Canadian currency equivalent of $254.1 million.
- Net book value of property, plant and equipment of $933.7 million, which includes $465.9 million of real property (carrying cost of $530.5 million).

2018 Capital Budget

The Board has approved a capital budget increase of $20.0 million, increasing from $40.0 million to $60.0 million. This increase in the capital budget is a direct result of recent positive announcements regarding the oil and natural gas sector along with some accretive investment opportunities within the Oilfield Services segment. We also continue to experience strong customer demand within our Trucking/Logistics segment as evidenced by our recent financial performance. In order to meet future customer demand it is important for us to secure allocations for new trucks and trailers as delivery of such equipment continues to approach historical lead times. 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.

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

OUTLOOK

Our second quarter results met our expectations and reflect the previous communication we provided to shareholders. In terms of the macro environment in relation to the two sectors of the economy that have a significant impact on our overall performance – the Canadian Economy as well as the Oil and Natural Gas Industry in western Canada, both sectors performed generally in line with our expectations. More specifically, the Canadian Economy as measured by gross domestic product ("**GDP**") continued to expand at a modest but certainly not a robust pace. As a result, organic growth in our Trucking/Logistics segment was difficult to attain. However, the majority of our Business Units (as hereafter defined on page 7) in this segment increased operating margin[1] as pricing for services began to firm. In terms of the Oil and Natural Gas sector, the quarter was very challenging as cash flow constraints at many exploration and production ("**E&P**") companies remained as a significant barrier to capital investment and drilling activity. In addition, regulatory delays and permitting issues continued to negatively affect pipeline construction activity. For these reasons our Oilfield Services segment results were down as compared to last year. Acquisitions remained the only viable means to generate growth and will remain so until the macro environment fundamentals improve.

The second half of the year should provide Mullen Group with the opportunity to improve our financial results. Our optimism is based upon three contributing factors, which collectively should have a positive influence on our results. Firstly, the expectations for the Canadian Economy remain stable despite the negative news associated with trade disputes and the ongoing NAFTA discussions. As a result, we believe the current tightness in the supply chain, the trucking industry in particular, will continue to support recent pricing gains which is a positive for our Trucking/Logistics segment. Secondly, the steady rise in crude oil pricing has significantly altered the amount of cash flow generated by the E&P companies, which is one of the key considerations these companies address in determining future capital investment in infrastructure projects as well as drilling for oil and natural gas, both of which are important factors in terms of determining the demand for oilfield services. Drilling activity reports in July 2018 indicate that the rig count in western Canada is above 225, a marked improvement over second quarter 2018 activity levels and even slightly above July of last year. As a result we anticipate our Oilfield Services segment will benefit from the improving demand fundamentals. And thirdly, the recent acquisitions we announced and have completed will drive revenue growth. We are confident that once these new acquisitions have been fully integrated into our organization profitability will also improve.

Generally speaking we believe the recent announcements regarding the Oil and Natural Gas sector are positive and indicates that this sector of the economy should reemerge as a positive contributor to Canada's economic GDP. This is the principal reason we made two oilfield service related acquisitions of competing and complimentary companies in the second quarter. It is also the reason our Board approved an increase in our 2018 capital budget by $20.0 million, a 50.0 percent increase. The delivery times for new trucks and trailers is approaching historical lead times and it is important for our organization to secure allocations ensuring we can meet future customer demand.

We continue to evaluate a number of acquisition opportunities, however, we will maintain our disciplined approach of ensuring that any acquisition is in the best interests of our shareholders and our strategic initiatives. At the end of June our cash position was down sharply from prior periods due to the repayment of $70.0 million associated with the Series D Notes as well as to fund the previously announced acquisitions. Nevertheless our balance sheet remains strong with ample liquidity to fund additional accretive and strategic growth initiatives.

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

CORPORATE OVERVIEW

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

Business

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

At June 30, 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:

Business Unit	Primary Service Provided
Bernard Transport Ltd.	Regional Scheduled LTL - Northern Alberta
Caneda Transport Ltd.	LTL & Irregular Route Truckload - Canada/U.S.
Cascade Carriers L.P.	Dry Bulk Freight
Courtesy Freight Systems Ltd.	Regional Scheduled LTL - Northern Ontario
DWS Logistics Inc.[(1)]	Value-Added Warehousing and Distribution Services
Gardewine Group Limited Partnership[(2)]	Regional Scheduled LTL - Manitoba and Ontario & Specialized Transportation
Grimshaw Trucking L.P.	Regional Scheduled LTL - Northern Alberta
Hi-Way 9 Group of Companies[(3)]	Regional Scheduled LTL - Southern Alberta
Jay's Transportation Group Ltd.	Regional Scheduled LTL - Saskatchewan
Kleysen Group Ltd.	Irregular Route Truckload & Multi-Modal
Mullen Trucking Corp.[(4)]	Irregular Route Truckload & Specialized Transportation
Payne Transportation Ltd.[(5)]	Irregular Route Truckload & Specialized Transportation
RDK Transportation Co. Inc.[(6)]	Irregular Route Truckload & Specialized Transportation
Smook Contractors Ltd.	Civil Construction – Northern Manitoba
Tenold Transportation Ltd.	Irregular Route Truckload

(1) Acquired February 9, 2018.
(2) Includes S. Krulicki & Sons Ltd., operating as Winnipeg Moving & Storage and Brandon Moving, which was acquired on October 1, 2017.
(3) Includes Golden Transport Ltd. and Dacota Freight Services Ltd., which were acquired on August 1, 2017 and April 6, 2018, respectively.
(4) Includes Marshall Trucking Inc., which was acquired on November 1, 2017.
(5) Includes Kel-West Carriers Ltd., which was acquired on January 31, 2017.
(6) Acquired September 1, 2017.

At June 30, 2018, our Oilfield Services segment consisted of 16 Business Units that utilize their highly trained personnel and equipment to provide well-servicing, specialized transportation, dewatering, and drilling services to the oil and natural gas industry. These services include transporting of oversize and overweight shipments, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, stockpiling and stringing of large diameter pipe, a broad range of services related to the processing and production of heavy oil including well servicing and handling, transportation of fluids, the processing and disposal of oilfield waste, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation, drilling rig relocation, core drilling, casing setting and conductor pipe setting services.

Oilfield Services Segment:

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

[1] Includes a portion of AECOM's Canadian Industrial Services Division, which was acquired on June 25, 2018.
[2] Acquired 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 7, 2018 and is available on SEDAR at www.sedar.com, our website at www.mullen-group.com or upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com.

Capital Allocations

Dividends

On December 13, 2017, we announced our intention to pay annual dividends of $0.60 per Common Share ($0.05 per Common Share on a monthly basis) for 2018. For the six month period ending June 30, 2018, we declared monthly dividends totalling $0.30 per Common Share (2017 – $0.18 per Common Share). At June 30, 2018, we had 104,645,041 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2017 – $3.1 million), which was paid on July 16, 2018. We also declared a dividend of $0.05 per Common Share on July 20, 2018, to the holders of record at the close of business on July 31, 2018. The Board will continue to consider the amount of and the record date for the monthly dividend.

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 will be 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 approved an

increase in our 2018 capital budget by $20.0 million to $60.0 million. The Board will continue to monitor both of the sectors of the economy we serve and will adjust the capital budget as new opportunities arise.

In the first six months of 2018, gross capital expenditures on a pre-consolidated basis were $32.1 million as compared to $10.8 million in 2017. These capital expenditures were comprised of $24.7 million in the Trucking/Logistics segment (2017 – $8.0 million), $6.8 million in the Oilfield Services segment (2017 – $2.8 million) and $0.6 million in the Corporate Office (2017 – nil). Gross dispositions on a pre-consolidated basis were $8.9 million in 2018 as compared to $5.0 million in 2017. These gross dispositions were comprised of $1.6 million in the Trucking/Logistics segment (2017 – $1.0 million), $7.3 million in the Oilfield Services segment (2017 – $3.4 million) and nil in the Corporate Office (2017 – $0.6 million). In 2018 we continued to modernize our fleet within the Oilfield Services segment through the sale of older equipment.

Acquisitions and Investments

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

2018

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

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 may receive cash consideration of up to $1.0 million for achieving certain financial targets for the twelve month period ending December 31, 2018. We have estimated the fair value of this contingent consideration to be $1.0 million, which was based on our 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 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 robust inventory management system. DWS has over 500,000 square feet of warehousing space situated in six distribution centres in the greater Toronto area and the Lower Mainland of British Columbia. 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. We have estimated the fair value of this contingent consideration to be $0.2 million, which was based on our 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. 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 recorded $25.9 million of cash used to acquire the business and assets of AECOM ISD on our condensed consolidated statement of cash flows. 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 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.

Canadian Hydrovac Ltd. – On July 1, 2018, we acquired all of the issued and outstanding shares of Canadian Hydrovac Ltd. ("**Canadian Hydrovac**") for total consideration of $12.5 million consisting of $10.5 million of cash consideration and $2.0 million of Common Shares of the Corporation by issuing 133,334 Common Shares. 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. 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.

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. We recorded $3.7 million of cash used to acquire Kel-West on our condensed consolidated statement of cash flows. 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 Energy Services Corp. ("**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 condensed 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 condensed 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. We recorded $1.6 million of cash used to acquire Golden on our condensed consolidated statement of cash flows. 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 condensed 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. We recorded $6.0 million of cash used to acquire Winnipeg Moving on our condensed consolidated statement of cash flows. 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 Group Limited Partnership ("**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 condensed 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.

Private Placement Debt – Amending Agreement

On March 31, 2016, at our own discretion, we entered into an agreement with the Private Placement Debt (as hereafter defined on page 16) noteholders to amend certain financial covenant terms (the "**Amending Agreement**") that included both temporary and permanent amendments. The Amending Agreement replaced the financial covenant term total debt with total net debt[1] for financial covenant calculation purposes. On a temporary basis, during the period up to and including March 31, 2018 (the "**Covenant Relief Period**"), total net debt[1] was defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps (as hereinafter defined on page 17) plus any unrealized loss on Cross-Currency Swaps as disclosed within derivative financial instruments ("**Derivatives**") on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt[1] has been permanently defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same. Notwithstanding the Amending Agreement, at no time did we exceed the prior covenant threshold of 3.5 times total debt to operating cash flow (as hereafter defined on page 48).

Repayment of Private Placement Debt

On June 29, 2018, we used cash and cash equivalents 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 will reduce 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 and cash equivalents 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 is 3.89 percent and 4.51 percent, respectively.

<u>Convertible Unsecured Subordinated Debentures</u>

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. As at June 30, 2018, on a cumulative basis, a total of 122,955 Debentures representing $123.0 million of aggregate principal amount had been converted into 11,677,529 Common Shares of the Corporation. As such, there remained 2,045 Debentures outstanding that could be converted into an aggregate of approximately 190,594 Common Shares of the Corporation. In July 2018, 500 Debentures were converted into 46,598 Common Shares of the Corporation. The remaining 1,545 Debentures were repaid with cash.

The details of the Debentures are as follows:

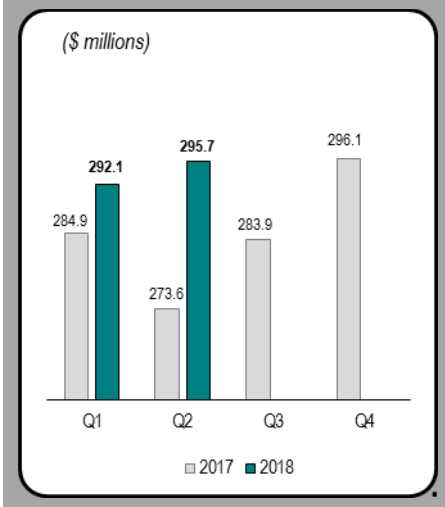
($ millions)		**June 30, 2018**		**December 31, 2017**	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2018	10%	**$ 2.0**	**$ 2.0**	$ 12.4	$ 12.4

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

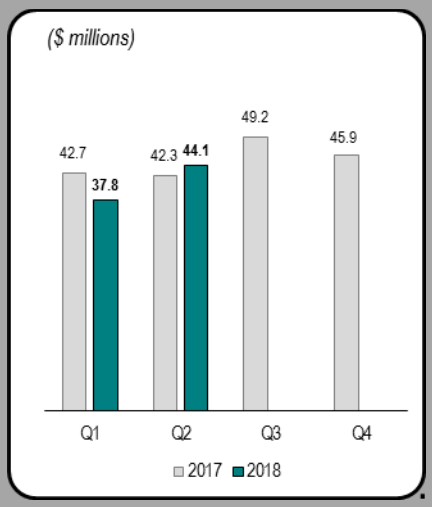
CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED JUNE 30, 2018

Summary – Trailing Six Quarters

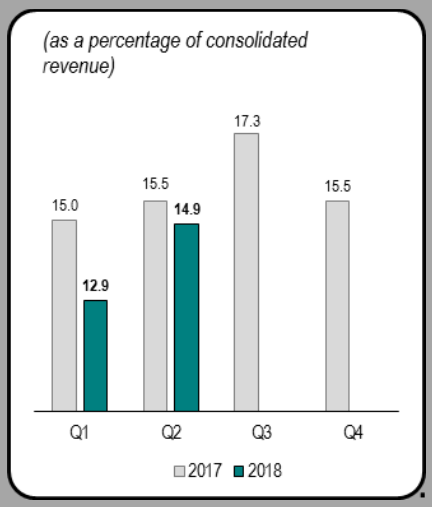
Consolidated Revenue



OIBDA – Adjusted[1]



Operating Margin – Adjusted[1]



Our second quarter financial results improved over 2017, despite the year over year declines in the Oilfield Services segment, which was negatively impacted by a drop in drilling activity in western Canada. The Trucking/Logistics segment grew sequentially, principally due to the strong performance in our LTL Business Units as well as acquisitions. The specific factors which impacted our second quarter financial performance include:

- Canadian economic activity remained very consistent with prior year periods; strong fundamentally, however very little overall growth.
- Capacity in the trucking industry remained tight providing the opportunity to increase pricing, however organic growth was negatively impacted by a lack of certified drivers due to the tight labour markets.
- Recent asset light acquisitions contributed to revenue growth, however margins associated with the new business is generally lower than our traditional averages.
- Drilling activity in western Canada was down 8.5 percent year over year, negatively impacting the Oilfield Services segment's results.
- Competitive pricing persisted across most service lines in the Oilfield Services segment due to the lack of demand in the services we provide.
- Inflationary pressures continued to emerge, most notably in terms of fuel expense and labour costs in both operating segments.
- Project timing and regulatory issues remained during the quarter delaying large diameter pipeline construction activity.
- New competition in the handling and storage of oilfield pipe negatively impacted our pipe hauling and storage Business Units – Pe Ben Oilfield Services L.P. and Withers L.P.
- The proliferation of technology, e-commerce and online shopping is changing the dynamics of the traditional retail supply chain, including the trucking and logistics industry. Today the aging demographics in the trucking industry accompanied by a near full-employment economy is changing the long-haul trucking industry.

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

Revenue

*Revenue is generated by the Corporation through its Business Units. These Business Units are divided into two operating segments, namely 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**").*

Q2 Consolidated Revenue by Segment *(unaudited)* *($ millions)*	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**219.4**	**74.1**	183.2	66.9	36.2	19.8
Oilfield Services	**76.7**	**25.9**	90.8	33.1	(14.1)	(15.5)
Corporate and intersegment eliminations	**(0.4)**	—	(0.4)	—	—	—
Total	**295.7**	**100.0**	273.6	100.0	22.1	8.1

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the second quarter increased by $22.1 million representing a year over year gain of 8.1 percent rising to $295.7 million as compared to $273.6 million. Our Trucking/Logistics segment grew by $36.2 million or 19.8 percent, generating record revenue for any quarter. However, our Oilfield Services segment experienced a decline of $14.1 million representing a year over year decrease of 15.5 percent. Acquisitions remained one of our primary focuses and accounted for $13.3 million of incremental revenue in the Trucking/Logistics segment. In addition, increased fuel surcharge revenue accounted for $7.0 million in revenue growth.

Q2 Consolidated Revenue *(unaudited)* *($ millions)*	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**202.1**	**68.3**	192.6	70.4	9.5	4.9
Contractors	**91.2**	**30.8**	79.5	29.1	11.7	14.7
Other	**2.4**	**0.9**	1.5	0.5	0.9	60.0
Total	**295.7**	**100.0**	273.6	100.0	22.1	8.1

Revenue generated by Company Equipment increased by $9.5 million, or 4.9 percent, to $202.1 million as compared to $192.6 million in 2017 and represented 68.3 percent of consolidated revenue in the current period as compared to 70.4 percent in 2017. Revenue related to Contractors increased by $11.7 million, or 14.7 percent, to $91.2 million as compared to $79.5 million in 2017 and represented 30.8 percent of consolidated revenue in the current period as compared to 29.1 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.*

Q2 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**52.3**	**25.9**	51.1	26.5	1.2	2.3
Fuel	**21.4**	**10.6**	17.6	9.1	3.8	21.6
Repairs and maintenance	**28.6**	**14.2**	27.9	14.5	0.7	2.5
Purchased transportation	**21.4**	**10.6**	18.2	9.4	3.2	17.6
Operating supplies	**12.3**	**6.1**	13.9	7.2	(1.6)	(11.5)
Other	**6.1**	**2.9**	6.1	3.3	—	—
	142.1	**70.3**	134.8	70.0	7.3	5.4
Contractors	**68.7**	**75.3**	60.2	75.7	8.5	14.1
Total	**210.8**	**71.3**	195.0	71.3	15.8	8.1

**as a percentage of respective Consolidated revenue*

DOE were $210.8 million in the second quarter as compared to $195.0 million in 2017. This increase of $15.8 million, or 8.1 percent, was in line with the $22.1 million, or 8.1 percent, increase in consolidated revenue.

DOE associated with Company Equipment increased to $142.1 million as compared to $134.8 million in 2017. This increase of $7.3 million, or 5.4 percent, was attributable to the $9.5 million increase in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses increased by 0.3 percent to 70.3 percent as compared to 70.0 percent in 2017 due to increased fuel costs associated with the year over year rise in crude oil prices and an increase in purchased transportation expense. These increases were mitigated by greater operational efficiencies resulting in a reduction in wages and benefits as a percentage of revenue and a reduction in operating supplies expense due to the reduction in pump sales at Canadian Dewatering L.P. ("**Canadian Dewatering**").

Contractors expense in the second quarter increased to $68.7 million as compared to $60.2 million in 2017. This $8.5 million increase was attributable to the $11.7 million rise in Contractors revenue. As a percentage of revenue, Contractors expense declined by 0.4 percent to 75.3 percent as compared to 75.7 percent in 2017 and was primarily attributable to the decreases experienced by the Trucking/Logistics segment.

Selling and Administrative Expenses

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

Q2 Consolidated Selling and Administrative Expenses						
(unaudited)						
($ millions)	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**23.3**	**7.9**	21.7	7.9	1.6	7.4
Communications, utilities and general supplies	**10.8**	**3.7**	9.1	3.3	1.7	18.7
Profit share	**2.5**	**0.8**	2.5	0.9	—	—
Foreign exchange	**(0.5)**	**(0.2)**	2.8	1.0	(3.3)	(117.9)
Stock-based compensation	**0.4**	**0.1**	0.2	0.1	0.2	100.0
Rent and other	**4.1**	**1.4**	2.5	1.0	1.6	64.0
Total	**40.6**	**13.7**	38.8	14.2	1.8	4.6

**as a percentage of total Consolidated revenue*

S&A expenses for the period increased to $40.6 million as compared to $38.8 million in 2017 largely due to the $2.7 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 $3.3 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. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $40.8 million, or 13.8 percent of revenue, as compared to $36.3 million, or 13.3 percent in 2017.

Operating Income Before Depreciation and Amortization

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

Q2 Consolidated Operating Income Before Depreciation and Amortization						
(unaudited)						
($ millions)	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**33.4**	**75.4**	26.4	66.3	7.0	26.5
Oilfield Services	**11.9**	**26.9**	17.4	43.7	(5.5)	(31.6)
Corporate	**(1.0)**	**(2.3)**	(4.0)	(10.0)	3.0	(75.0)
Total	**44.3**	**100.0**	39.8	100.0	4.5	11.3

OIBDA for the period was $44.3 million, or 15.0 percent of revenue, as compared to $39.8 million, or 14.5 percent, in 2017. The $4.5 million increase represents a year over year increase of 11.3 percent and was primarily due to record second quarter OIBDA in the Trucking/Logistics segment being partially offset by lower OIBDA in the Oilfield Services segment and the $3.3 million positive variance in foreign exchange expense related to the change in value of the Canadian dollar vis-à-vis the U.S. dollar.

Q2 Consolidated Operating Income Before Depreciation and Amortization – Adjusted[1]						
(unaudited) *($ millions)*	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
OIBDA	**44.3**	**15.0**	39.8	14.5	4.5	11.3
Foreign exchange within the Corporate Office	**(0.2)**	**(0.1)**	2.5	1.0	(2.7)	(108.0)
OIBDA – adjusted[1]	**44.1**	**14.9**	42.3	15.5	1.8	4.3

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

Adjusting for changes in foreign exchange within the Corporate Office, OIBDA – adjusted[1] was $44.1 million as compared to $42.3 million in 2017, an increase of $1.8 million, or 4.3 percent. In terms of percentage of consolidated revenue, operating margin – adjusted[1] decreased to 14.9 percent as compared to 15.5 percent in 2017.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $17.0 million in the second quarter as compared to $16.6 million in 2017. This increase of $0.4 million was mainly attributable to a greater amount of depreciation being recorded in the Trucking/Logistics segment, which was somewhat offset by a lower amount of depreciation being recorded in the Oilfield Services segment. Depreciation in the Trucking/Logistics segment increased by $0.4 million, which was mainly 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 Oilfield Services segment decreased by $0.1 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. These decreases were somewhat offset by a greater amount of depreciation being recorded on specialty equipment 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 54. Depreciation in the Corporate Office increased slightly by $0.1 million on a year over year basis.

Amortization of Intangible Assets

Intangible assets are 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 $3.7 million in the second quarter as compared to $2.7 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 consist of:

- interest expense on financial liabilities, including:
  - U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, $30.0 million of Series I Notes, $3.0 million of Series J Notes, $58.0 million of Series K Notes and $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
  - the Debentures that were issued on May 1, 2009;
  - various financing loans that are secured by specific operating equipment (collectively, the "**Various Financing Loans**");
  - borrowings on the Bank Credit Facility (as hereafter defined on page 46); and
  - accretion expense on debt;
- less any interest income generated from cash and cash equivalents.

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

Finance costs were $5.3 million in the second quarter as compared to $7.6 million in 2017. The decrease of $2.3 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. Finance costs also decreased due to a greater amount of interest income being generated from cash and cash equivalents in 2018, and less 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 second quarter of 2018.

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 $1.9 million in the second quarter of 2018 as compared to a net foreign exchange gain of $9.4 million in 2017. The net foreign exchange loss of $1.9 million in 2018 resulted despite having the principal portion of all our U.S. $229.0 million debt 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 $11.3 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net foreign exchange loss (gain) are as follows:

Net Foreign Exchange Loss (Gain)	**Three month periods ended June 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2018**	**2017**
Foreign exchange loss (gain) on U.S. $ debt	**6.3**	(10.1)
Foreign exchange (gain) loss on Cross-Currency Swaps	**(4.4)**	0.7
Net foreign exchange loss (gain)	**1.9**	(9.4)

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

We recorded a foreign exchange loss of $6.3 million related to our U.S. dollar debt due to the $0.0274 weakening of the Canadian dollar relative to the U.S. dollar during the second quarter of 2018. For the same period in 2017, we recorded a foreign exchange gain of $10.1 million due to the strengthening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange loss (gain) on the U.S. dollar debt are summarized in the following table:

Foreign Exchange Loss (Gain) **on U.S. $ Debt**	**Three month periods ended June 30**					
	2018			**2017**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – June 30	**229.0**	**1.3168**	**301.6**	314.0	1.2977	407.5
Beginning – March 31	**229.0**	**1.2894**	**295.3**	314.0	1.3299	417.6
Foreign exchange loss (gain) on U.S. $ debt			**6.3**			(10.1)

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 loss (gain) 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 Derivatives in the consolidated statement of financial position.

We recorded a foreign exchange gain on Cross-Currency Swaps of $4.4 million in the second quarter of 2018 as compared to a $0.7 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	**Three month periods ended June 30**			
	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**	**(2.4)**	117.0	0.5
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(2.0)**	112.0	0.2
Foreign exchange (gain) loss on Cross-Currency Swaps		**(4.4)**		0.7

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment and earnings from equity investments. Other income in the second quarter was $3.1 million, a $2.7 million positive variance as compared to the $0.4 million of other income recorded in 2017. The $2.7 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $0.6 million). We periodically invest in certain public corporations. We recorded an increase in the fair value of investments of $0.4 million in the second quarter as compared to a $0.2 million decrease in 2017. There were no investments purchased or sold in either the second quarter of 2018 or 2017.

Gain or Loss on Sale of Property, Plant and Equipment (positive variance of $1.3 million). We recognized a gain of $1.1 million on sale of property, plant and equipment on total consolidated proceeds on sale of $5.7 million in the second quarter as compared to a $0.2 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.4 million in 2017. The $1.1 million gain on sale of property, plant and equipment in the second quarter of 2018 mainly resulted from the sale of older equipment in the Oilfield Services segment.

Earnings from Equity Investments (positive variance of $0.8 million). We recognized $1.6 million of earnings from equity investments in the second quarter as compared to earnings of $0.8 million in 2017. The $0.8 million positive variance was mainly due to the incremental earnings generated by Thrive Fluid Management Corp. ("**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. 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 Fluid Management Corp.	September 27, 2017

Income Taxes

(unaudited) *($ millions)*	Three month periods ended June 30	
	2018	**2017**
Income before income taxes	**$ 19.5**	$ 22.7
Combined statutory tax rate	**27%**	27%
Expected income tax	**5.3**	6.2
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**0.3**	(1.2)
Non-deductible (taxable) portion of the change in fair value of investments	**(0.1)**	—
Stock-based compensation expense	**0.2**	0.1
Decrease in income tax due to changes in income tax rates	**—**	(0.4)
Unrecognized deferred tax asset	**0.3**	(1.2)
Other	**(0.4)**	(0.4)
Income tax expense	**$ 5.6**	$ 3.1

Income tax expense was $5.6 million in the second quarter of 2018 as compared to $3.1 million in 2017. The increase of $2.5 million was mainly attributable to the variance in net foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended June 30		
	2018	**2017**	**% Change**
Net income	**$ 13.9**	$ 19.6	(29.1)
Weighted average number of Common Shares outstanding	**103,774,799**	103,654,316	0.1
Earnings per share – basic	**$ 0.13**	$ 0.19	(31.6)

Net income decreased to $13.9 million in the second quarter as compared to $19.6 million in 2017. The factors contributing to the decrease in net income include:

- an $11.3 million negative variance in net foreign exchange;
- a $2.5 million increase in income tax expense;

- a $1.0 million increase in amortization of intangible assets; and
- a $0.4 million increase in depreciation of property, plant and equipment.

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

- a $4.5 million increase in OIBDA;
- a $2.3 million decrease in finance costs;
- a $1.3 million increase in the gain on sale of property, plant and equipment;
- a $0.8 million increase in earnings from equity investments; and
- a $0.6 million positive variance in the fair value of investments.

Basic earnings per share decreased to $0.13 in 2018 as compared to $0.19 in 2017. This decrease resulted from the effect of the $5.7 million decrease in net income. The weighted average number of Common Shares outstanding increased slightly from 103,654,316 to 103,774,799, which was due to the conversion of some Debentures into Common Shares in the second quarter of 2018.

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended June 30**	
	2018	**2017**
Income before income taxes	**$ 19.5**	$ 22.7
Add (deduct):		
Net foreign exchange loss (gain)	**1.9**	(9.4)
Change in fair value of investments	**(0.4)**	0.2
Income before income taxes – adjusted	**21.0**	13.5
Income tax rate	**27%**	27%
Computed expected income tax expense	**5.7**	3.6
Net income – adjusted[1]	**15.3**	9.9
Weighted average number of Common Shares outstanding – basic	**103,774,799**	103,654,316
Earnings per share – adjusted[1]	**$ 0.15**	$ 0.10

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

SEGMENTED INFORMATION – THREE MONTH PERIOD ENDED JUNE 30, 2018

Three month period ended June 30, 2018 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**219.4**	**76.7**	**(0.4)**	**295.7**
Direct operating expenses	**159.3**	**54.0**	**(2.5)**	**210.8**
Selling and administrative expenses	**26.7**	**10.8**	**3.1**[(2)]	**40.6**
Operating income before depreciation and amortization	**33.4**	**11.9**	**(1.0)**	**44.3**
Net capital expenditures[(1)]	**14.9**	**(2.3)**	**0.6**	**13.2**

Three month period ended June 30, 2017 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	183.2	90.8	(0.4)	273.6
Direct operating expenses	134.4	62.3	(1.7)	195.0
Selling and administrative expenses	22.4	11.1	5.3[(3)]	38.8
Operating income before depreciation and amortization	26.4	17.4	(4.0)	39.8
Net capital expenditures[(1)]	3.1	1.0	—	4.1

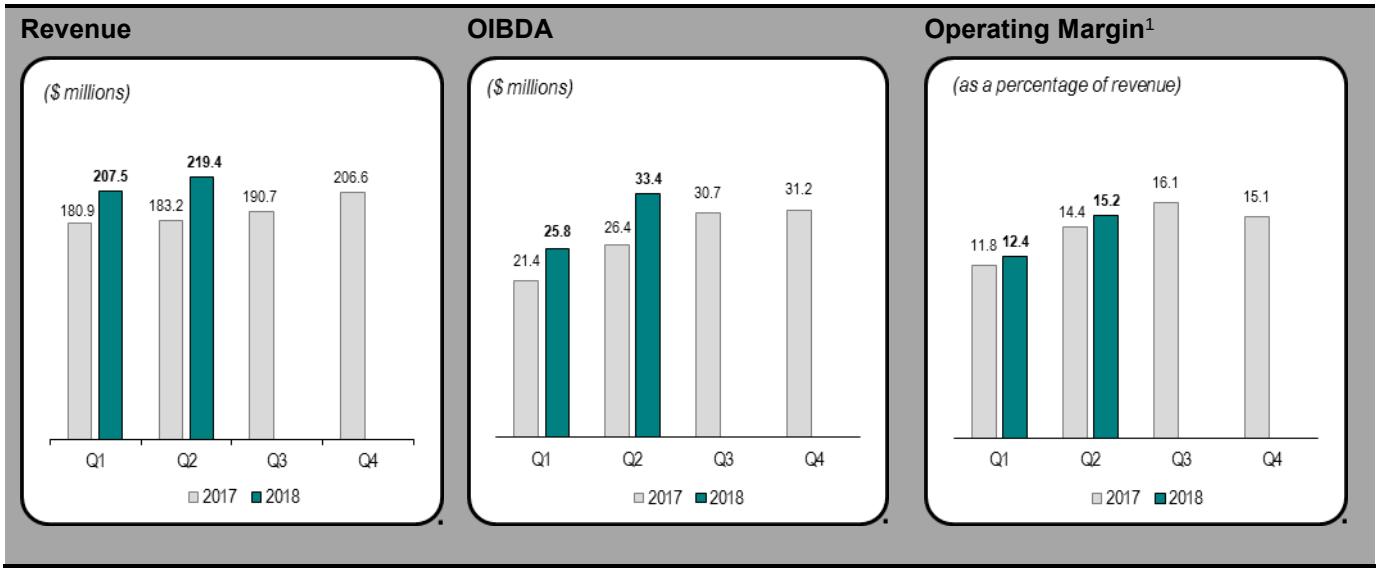
[(1)] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".
[(2)] Includes a $0.2 million foreign exchange gain.
[(3)] Includes a $2.5 million foreign exchange loss.

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 June 30, 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 93 terminals*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk Hauling*	• *Primarily contract services*

Summary – Trailing Six Quarters



General economic activity is the main driver of demand levels for our Trucking/Logistics segment. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services. Early estimates indicate that Canada's real GDP expanded by 0.1 percent in April after experiencing annualized growth of 1.3 percent in the first 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 3.8 percent in the second quarter after growing by 2.0 percent in the first quarter.

Revenue

Q2 Revenue – Trucking/Logistics

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**145.5**	**66.3**	124.1	67.7	21.4	17.2
Contractors	**73.6**	**33.5**	58.9	32.2	14.7	25.0
Other	**0.3**	**0.2**	0.2	0.1	0.1	50.0
Total	**219.4**	**100.0**	183.2	100.0	36.2	19.8

The Trucking/Logistics segment generated $219.4 million of revenue in the second quarter, which was the highest level of segment revenue recorded for any quarterly period and represented 74.1 percent of pre-consolidated revenue as compared to 66.9 percent in 2017. Revenue increased by $36.2 million, or 19.8 percent, to $219.4 million as compared to $183.2 million in 2017 due to rate increases, a rise in demand for freight services in western Canada and incremental revenue related to our recent acquisitions. Excluding acquisitions and the change in fuel surcharge revenue, revenue in this segment rose by $16.4 million, or 9.8 percent. Revenue from acquisitions was $13.3 million while fuel surcharge revenue rose by $6.5 million to $22.9 million. Some of the specific factors that impacted revenue in the second quarter were the following:

- The regional LTL business improved by 13.5 percent during the quarter due to revenue gains at Gardewine. Our six regional LTL Business Units[2] generated revenue of $110.8 million as compared to $97.5 million in 2017.

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

[2] 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.

- Truckload revenue increased by $22.6 million due to the combination of the $13.3 million of incremental revenue generated by our recent acquisitions and an increase in demand for truckload services and rate increases due to tightness in the supply chain. The nine truckload services Business Units generated $111.4 million in revenue as compared to $88.8 million in 2017.

- Fuel surcharge revenue, excluding the effect of acquisition, increased to $22.9 million as compared to $16.4 million in 2017.

Revenue related to Company Equipment increased by $21.4 million, or 17.2 percent, to $145.5 million as compared to $124.1 million in 2017 and represented 66.3 percent of segment revenue in the current period as compared to 67.7 percent in 2017. Revenue related to Contractors increased by $14.7 million, or 25.0 percent, to $73.6 million as compared to $58.9 million in 2017 and represented 33.5 percent of segment revenue in the current period as compared to 32.2 percent in 2017.

Direct Operating Expenses

Q2 Direct Operating Expenses – Trucking/Logistics

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**39.1**	**26.9**	34.8	28.0	4.3	12.4
Fuel	**16.8**	**11.5**	12.9	10.4	3.9	30.2
Repairs and maintenance	**17.5**	**12.0**	16.3	13.1	1.2	7.4
Purchased transportation	**21.2**	**14.6**	17.6	14.2	3.6	20.5
Operating supplies	**5.0**	**3.4**	4.2	3.4	0.8	19.0
Other	**4.5**	**3.1**	4.1	3.3	0.4	9.8
	104.1	**71.5**	89.9	72.4	14.2	15.8
Contractors	**55.2**	**75.0**	44.5	75.6	10.7	24.0
Total	**159.3**	**72.6**	134.4	73.4	24.9	18.5

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

DOE expressed as a percentage of revenue decreased by 0.8 percent to 72.6 percent as compared to 73.4 percent in 2017. Total DOE were $159.3 million in the second quarter as compared to $134.4 million in 2017. The increase of $24.9 million, or 18.5 percent, was in line with the $36.2 million, or 19.8 percent, rise in segment revenue.

DOE related to Company Equipment increased by $14.2 million, or 15.8 percent, to $104.1 million as compared to $89.9 million in 2017. In terms of a percentage of revenue, Company expenses decreased by 0.9 percent to 71.5 percent as compared to 72.4 percent in 2017 due to greater operational efficiencies and a focus on cost control being somewhat offset by inflationary pressures including higher fuel costs.

Contractors expense in the second quarter increased by $10.7 million to $55.2 million as compared to $44.5 million in 2017. This increase was generally in proportion to the $14.7 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 0.6 percent to 75.0 percent as compared to 75.6 percent in 2017 due to our ability to pass on increased cost in an otherwise tight subcontractor market.

Selling and Administrative Expenses

Q2 Selling and Administrative Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2018		2017		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**15.6**	**7.1**	14.5	7.9	1.1	7.6
Communications, utilities and general supplies	**6.8**	**3.1**	5.1	2.8	1.7	33.3
Profit share	**1.9**	**0.9**	1.4	0.8	0.5	35.7
Foreign exchange	**(0.3)**	**(0.1)**	0.2	0.1	(0.5)	(250.0)
Rent and other	**2.7**	**1.2**	1.2	0.6	1.5	125.0
Total	**26.7**	**12.2**	22.4	12.2	4.3	19.2

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

S&A expenses were $26.7 million in the second quarter as compared to $22.4 million in 2017. The increase of $4.3 million was primarily due to the $2.7 million of incremental S&A expenses associated with the acquisitions of RDK and DWS, most notably a rise in rent expense. In addition, there was a $0.5 million rise in profit share due to improved profitability being somewhat offset by a $0.5 million positive variance on foreign exchange. S&A expenses as a percentage of segment revenue remained stable at 12.2 percent.

Operating Income Before Depreciation and Amortization

OIBDA for the second quarter increased by $7.0 million, or 26.5 percent, to $33.4 million as compared to $26.4 million generated in 2017. This is the highest level of OIBDA achieved for any second quarter on record. The majority of this rise in OIBDA, specifically $3.8 million, was due to increases at our LTL Business Units while acquisitions accounted for $1.5 million of incremental growth.

Operating margin[1] increased by 0.8 percent to 15.2 percent as compared to 14.4 percent in 2017 due to rate increases as a result of tightening industry capacity that more than offset the rise in inflationary costs. Operating margin[1] was negatively impacted by recent acquisitions, which are generally classified as asset light and typically generate lower margins.

Capital Expenditures

Net capital expenditures[1] were $14.9 million in the second quarter of 2018, an increase of $11.8 million as compared to $3.1 million in 2017. The segment had gross capital expenditures of $16.1 million and dispositions of $1.2 million for net capital expenditures[1] of $14.9 million in 2018. Gross capital expenditures mainly consisted of the purchase of trucks and trailers to replace our existing fleet, new trailers to replace some operating leases as well as various pieces of operating equipment. In 2017 gross capital expenditures were $3.4 million and dispositions were $0.3 million for net capital expenditures[1] of $3.1 million.

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

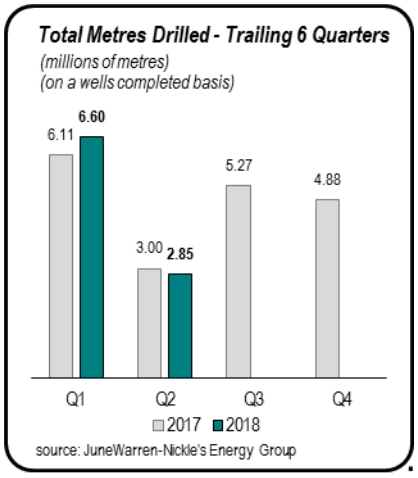
OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At June 30, 2018, the Oilfield Services segment was comprised of 16 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.



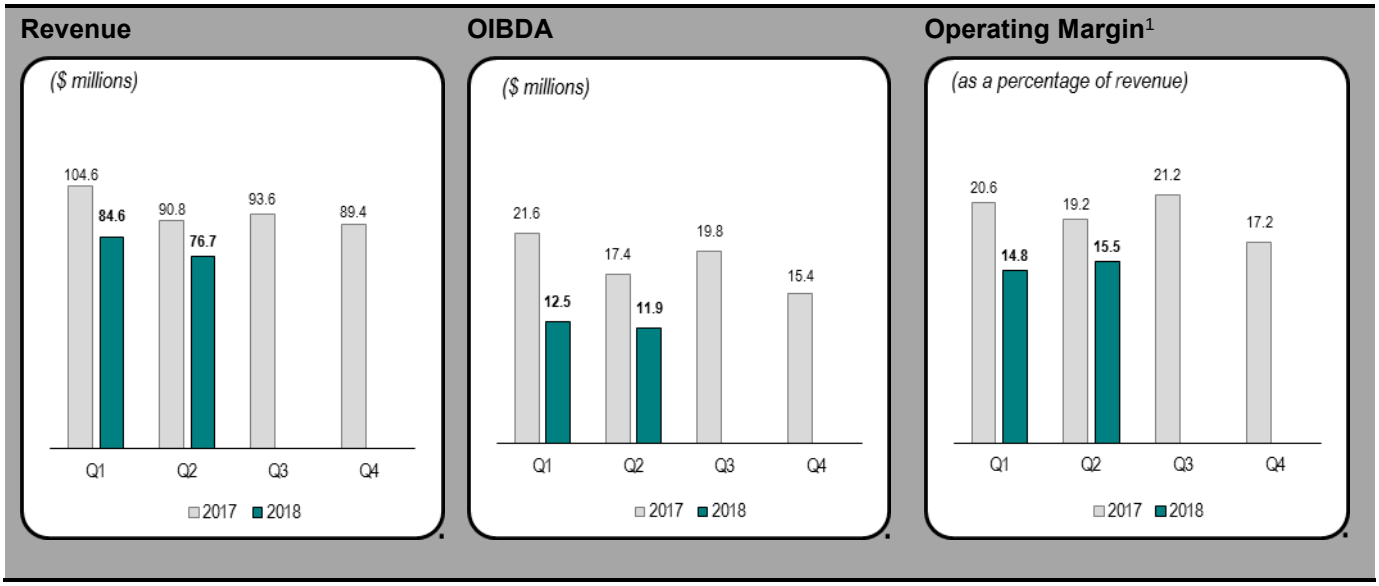
Drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**"), as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, decreased in the quarter as compared to the prior year. Industry statistics indicate that the average active rig count was 106 rigs during 2018 as compared to 114 active rigs in 2017, a decrease of 8 rigs or 7.0 percent. Total wells drilled decreased by 8.5 percent to 931 wells drilled in the quarter as compared to 1,018 wells drilled in 2017. The length of metres drilled also decreased by 5.0 percent during the current quarter to 2.85 million metres as compared to 3.00 million metres in 2017. In addition, a portion of our operations are related to the continued development and extraction of oil sands deposits in western Canada, which is changing due to current crude oil pricing, lack of pipeline capacity to new markets and regulatory requirements.

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

	Three month periods ended June 30			
	2018	**2017**	**# Change**	**% Change**
British Columbia	**89**	115	(26)	(22.6)
Alberta	**546**	563	(17)	(3.0)
Saskatchewan	**279**	330	(51)	(15.5)
Manitoba	**17**	10	7	70.0
Northwest Territories	**—**	—	—	—
Total	**931**	1,018	(87)	(8.5)

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

Summary – Trailing Six Quarters



Revenue

Q2 Revenue – Oilfield Services *(unaudited)* *($ millions)*	2018		2017		Change	
	$	%	$	%	$	%
Company	**56.6**	**73.8**	68.4	75.3	(11.8)	(17.3)
Contractors	**19.7**	**25.7**	22.1	24.3	(2.4)	(10.9)
Other	**0.4**	**0.5**	0.3	0.4	0.1	33.3
Total	**76.7**	**100.0**	90.8	100.0	(14.1)	(15.5)

Segment revenue decreased by $14.1 million, or 15.5 percent, to $76.7 million as compared to $90.8 million in 2017 and represented 25.9 percent of pre-consolidated revenue as compared to 33.1 percent in 2017. The decrease in revenue can be attributed to the decline in drilling activity in the WCSB as well as a decline in demand for large diameter pipeline stringing and stockpiling activity, the timing of which is never certain. Some of the specific factors that impacted revenue in the second quarter were the following:

- a $6.6 million decrease in revenue generated by those Business Units providing specialized services due to a $3.4 million decline in revenue at Premay Pipeline Hauling L.P. ("**Premay Pipeline**"), a provider of pipeline hauling and stringing services as well as a $1.8 million decrease in demand for specialized heavy haul transportation services;

- a $4.6 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;

- a $3.0 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to reduced demand and intense competition; and

- a $0.1 million increase 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 decline, decreasing by $11.8 million, or 17.3 percent, to $56.6 million as compared to $68.4 million in 2017. Company Equipment revenue

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

represented 73.8 percent of segment revenue in the current period as compared to 75.3 percent in 2017. Revenue related to Contractors decreased by $2.4 million, or 10.9 percent, to $19.7 million as compared to $22.1 million in 2017 and represented 25.7 percent of segment revenue in the current period as compared to 24.3 percent in 2017.

Direct Operating Expenses

Q2 Direct Operating Expenses – Oilfield Services						
(unaudited)						
($ millions)	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**13.2**	**23.3**	16.3	23.8	(3.1)	(19.0)
Fuel	**4.6**	**8.1**	4.8	7.0	(0.2)	(4.2)
Repairs and maintenance	**11.1**	**19.6**	11.6	17.0	(0.5)	(4.3)
Purchased transportation	**0.2**	**0.4**	0.5	0.7	(0.3)	(60.0)
Operating supplies	**7.4**	**13.1**	9.7	14.2	(2.3)	(23.7)
Other	**1.7**	**3.0**	2.2	3.2	(0.5)	(22.7)
	38.2	**67.5**	45.1	65.9	(6.9)	(15.3)
Contractors	**15.8**	**80.2**	17.2	77.8	(1.4)	(8.1)
Total	**54.0**	**70.4**	62.3	68.6	(8.3)	(13.3)

**as a percentage of respective Oilfield Services revenue*

DOE decreased by $8.3 million, or 13.3 percent, to $54.0 million in the second quarter as compared to $62.3 million in 2017 due to a $14.1 million, or 15.5 percent, decline in segment revenue. Other specific factors impacting DOE in the quarter were:

- higher repairs and maintenance expense as a percentage of revenue due to inflation and the relatively fixed nature of certain expenses due to the need to continue basic repairs and maintenance;
- higher fuel costs associated with the rise in crude oil prices; and
- a reduction in operating supplies associated with the decline in pump sales.

As a percentage of revenue these expenses increased by 1.8 percent to 70.4 percent as compared to 68.6 percent in 2017.

DOE associated with Company Equipment in the second quarter decreased to $38.2 million as compared to $45.1 million in 2017. The decrease of $6.9 million, or 15.3 percent, was directly related to the $11.8 million, or 17.3 percent, decrease in Company revenue. As a percentage of Company revenue these expenses increased by 1.6 percent to 67.5 percent as compared to 65.9 percent in 2017, primarily due to higher repairs and maintenance and higher fuel expenses that rose by 2.6 percent and 1.1 percent, respectively. These increases were partially offset by cost control initiatives and lower operating supplies expense.

Contractors expense in the second quarter decreased by $1.4 million to $15.8 million as compared to $17.2 million in 2017. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense rose to 80.2 percent as compared to 77.8 percent in 2017 due to the lack of availability of subcontractors.

Selling and Administrative Expenses

Q2 Selling and Administrative Expenses – Oilfield Services *(unaudited)* *($ millions)*	2018		2017		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**6.2**	**8.1**	6.0	6.6	0.2	3.3
Communications, utilities and general supplies	**3.4**	**4.4**	3.3	3.6	0.1	3.0
Profit share	**0.6**	**0.8**	1.1	1.2	(0.5)	(45.5)
Rent and other	**0.6**	**0.8**	0.7	0.8	(0.1)	(14.3)
Total	**10.8**	**14.1**	11.1	12.2	(0.3)	(2.7)

**as a percentage of total Oilfield Services revenue*

S&A expenses were $10.8 million in the second quarter as compared to $11.1 million in 2017. The $0.3 million decrease was mainly attributable to decreased profit share as a result of reduced profitability. S&A expenses as a percentage of segment revenue increased to 14.1 percent in comparison to 12.2 percent in 2017, primarily due to the fixed nature of these expenses.

Operating Income Before Depreciation and Amortization

OIBDA in the second quarter decreased by $5.5 million, or 31.6 percent, to $11.9 million as compared to $17.4 million in 2017. Operating margin[1] decreased to 15.5 percent in the second quarter from 19.2 percent in 2017 due to higher DOE and S&A expenses. Some of the specific factors that impacted OIBDA in the second quarter were the following:

- a $2.4 million decrease in those Business Units providing specialized services such as large diameter pipe stockpiling and stringing services as well as water management services;
- a $2.1 million decrease in those Business Units tied to drilling related activity including pipe handling and storage;
- a $1.1 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $0.1 million increase in OIBDA relating those Business Units involved in drilling services including conductor pipe setting.

Capital Expenditures

Net capital expenditures[1] were $(2.3) million in the second quarter of 2018, a decrease of $3.3 million as compared to $1.0 million in 2017. The segment had gross capital expenditures of $2.3 million and dispositions of $4.6 million for net capital expenditures[1] of $(2.3) million in 2018. Gross capital expenditures mainly consisted of the purchase of operating equipment for Premay Pipeline and Formula Powell L.P. The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2017 gross capital expenditures were $2.0 million and dispositions were $1.0 million for net capital expenditures[1] of $1.0 million.

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

CORPORATE

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

The Corporate Office recorded a loss of $1.0 million in the second quarter of 2018 as compared to a loss of $4.0 million in 2017. The $3.0 million decrease in loss was mainly attributable to a $2.7 million positive variance in foreign exchange. In the second quarter of 2018, the Corporate Office recorded a foreign exchange gain of $0.2 million as compared to a foreign exchange loss of $2.5 million in 2017. The $0.2 million foreign exchange gain in 2018 was due to the Corporate Office holding an average of approximately U.S. $5.6 million of cash combined with a $0.0274 strengthening of the U.S. dollar relative to the Canadian dollar. Excluding the effects of foreign exchange, the Corporate Office experienced a loss of $1.2 million as compared to a loss of $1.5 million in 2017. The reduction of $0.3 million was mainly due to additional income being generated from real estate holdings being somewhat offset by higher costs including salaries and stock-based compensation expense.

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CONSOLIDATED FINANCIAL RESULTS – SIX MONTH PERIOD ENDED JUNE 30, 2018

Revenue

Consolidated Revenue by Segment **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**426.9**	**72.6**	364.1	65.1	62.8	17.2
Oilfield Services	**161.3**	**27.4**	195.4	34.9	(34.1)	(17.5)
Corporate and intersegment eliminations	**(0.4)**	**—**	(1.0)	—	0.6	—
Total	**587.8**	**100.0**	558.5	100.0	29.3	5.2

**as a percentage of pre-consolidated revenue*

Mullen Group's consolidated revenue in 2018 increased by $29.3 million, or 5.2 percent, to $587.8 million as compared to $558.5 million in 2017. This increase in revenue was due to a rise in revenue in the Trucking/Logistics segment and a decline in Oilfield Services segment revenue. Revenue increased by $7.2 million and $22.1 million in the first and second quarters, respectively.

Revenue in the Trucking/Logistics segment improved by $62.8 million, or 17.2 percent, to $426.9 million as compared to $364.1 million in 2017. This improvement was due to an increase in demand for freight services in western Canada, rate increases and our recent acquisitions. Revenue in the Oilfield Services segment decreased by $34.1 million, or 17.5 percent, to $161.3 million as compared to $195.4 million due to lower drilling activity in the WCSB, a significant decline in demand for large diameter pipeline stringing and stockpiling services and revenue declines at our pipe and tubular Business Units.

Consolidated Revenue **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**396.4**	**67.4**	388.2	69.5	8.2	2.1
Contractors	**186.9**	**31.8**	167.1	29.9	19.8	11.8
Other	**4.5**	**0.8**	3.2	0.6	1.3	40.6
Total	**587.8**	**100.0**	558.5	100.0	29.3	5.2

Revenue related to Company Equipment increased by $8.2 million, or 2.1 percent, to $396.4 million as compared to $388.2 million in 2017 and represented 67.4 percent of consolidated revenue in the current period as compared to 69.5 percent in 2017. Revenue related to Contractors increased by $19.8 million, or 11.8 percent, to $186.9 million as compared to $167.1 million in 2017, and represented 31.8 percent of consolidated revenue in the current period as compared to 29.9 percent in 2017.

Direct Operating Expenses

Consolidated Direct Operating Expenses **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**104.3**	**26.3**	103.9	26.8	0.4	0.4
Fuel	**44.9**	**11.3**	38.0	9.8	6.9	18.2
Repairs and maintenance	**55.4**	**14.0**	53.6	13.8	1.8	3.4
Purchased transportation	**41.6**	**10.5**	37.6	9.7	4.0	10.6
Operating supplies	**26.1**	**6.6**	30.3	7.8	(4.2)	(13.9)
Other	**12.2**	**3.1**	12.3	3.1	(0.1)	(0.8)
	284.5	**71.8**	275.7	71.0	8.8	3.2
Contractors	**140.6**	**75.2**	125.6	75.2	15.0	11.9
Total	**425.1**	**72.3**	401.3	71.9	23.8	5.9

**as a percentage of respective Consolidated revenue*

DOE in 2018 were $425.1 million as compared to $401.3 million in 2017. The increase of $23.8 million, or 5.9 percent, was attributable to the $29.3 million increase in consolidated revenue and rising costs. As a percentage of revenue these expenses increased slightly to 72.3 percent as compared to 71.9 percent in 2017 due to lower margin business associated with acquisitions and inflationary pressures in both segments, most notably fuel, being mostly offset by improvement and operational efficiency gains in the Trucking/Logistics segment.

In 2018 DOE associated with Company Equipment increased to $284.5 million as compared to $275.7 million in 2017. The increase of $8.8 million, or 3.2 percent, was attributable to the $8.2 million increase in Company revenue that occurred during the period. As a percentage of Company revenue these expenses increased to 71.8 percent as compared to 71.0 percent in 2017. Fuel expense inflation accounted for the majority of the increase. Fuel expense increased by 1.5 percent of Company revenue to 11.3 percent, or $44.9 million, as compared to 9.8 percent or $38.0 million in 2017.

Contractors expense in 2018 increased by 11.9 percent to $140.6 million, as compared to $125.6 million in 2017. This $15.0 million increase was in line with the $19.8 million, or 11.8 percent, rise in Contractors revenue. As a percentage of Contractors revenue, Contractors expense remained consistent at 75.2 percent due to greater operational efficiencies experienced by the Trucking/Logistics segment being offset by the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells in the Oilfield Services segment.

Selling and Administrative Expenses

Consolidated Selling and Administrative Expenses **Six month periods ended June 30** **(*unaudited*)** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**46.0**	**7.8**	41.8	7.5	4.2	10.0
Communications, utilities and general supplies	**22.2**	**3.8**	19.5	3.5	2.7	13.8
Profit share	**4.8**	**0.8**	5.1	0.9	(0.3)	(5.9)
Foreign exchange	**(1.1)**	**(0.2)**	3.8	0.7	(4.9)	(128.9)
Stock-based compensation	**0.9**	**0.2**	0.4	0.1	0.5	125.0
Rent and other	**7.7**	**1.3**	5.1	0.9	2.6	51.0
Total	**80.5**	**13.7**	75.7	13.6	4.8	6.3

**as a percentage of total Consolidated revenue*

S&A expenses increased to $80.5 million in 2018 as compared to $75.7 million in 2017. The $4.8 million increase resulted despite the $4.9 million reduction in foreign exchange expense that related to a year over year change in

the Canadian dollar relative to the U.S. dollar. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $80.8 million, or 13.7 percent of revenue, as compared to $72.2 million, or 12.9 percent in 2017. The $8.6 million increase was mainly attributable to the $5.0 million of incremental S&A expenses associated with acquisitions.

Operating Income Before Depreciation and Amortization

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

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**59.2**	**72.0**	47.8	58.6	11.4	23.8
Oilfield Services	**24.4**	**29.7**	39.0	47.9	(14.6)	(37.4)
Corporate	**(1.4)**	**(1.7)**	(5.3)	(6.5)	3.9	(73.6)
Total	**82.2**	**100.0**	81.5	100.0	0.7	0.9

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

OIBDA for the period was $82.2 million, or 14.0 percent of revenue, as compared to $81.5 million, or 14.6 percent, in 2017. The $0.7 million increase represents a year over year increase of 0.9 percent and resulted from much improved OIBDA in the Trucking/Logistics segment and the decrease in foreign exchange expense related to change in value of the Canadian dollar vis-à-vis the U.S. dollar being virtually offset by substantially lower OIBDA in the Oilfield Services segment.

Consolidated Operating Income Before Depreciation and Amortization – Adjusted(1)
Six month periods ended June 30

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
OIBDA	**82.2**	**14.0**	81.5	14.6	0.7	0.9
Foreign exchange within the Corporate Office	**(0.3)**	**(0.1)**	3.5	0.6	(3.8)	(108.6)
OIBDA – adjusted(1)	**81.9**	**13.9**	85.0	15.2	(3.1)	(3.6)

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

Adjusting for changes in foreign exchange within the Corporate Office, OIBDA – adjusted[1] was $81.9 million as compared to $85.0 million in 2017, a decrease of $3.1 million, or 3.6 percent. In terms of percentage of consolidated revenue, operating margin – adjusted[1] declined to 13.9 percent as compared to 15.2 percent in 2017, primarily due to the decline in margin in the Oilfield Services segment mainly as a result of a lower oilfield activity in the WCSB and a significant decline in demand for both large diameter pipeline stringing and stockpiling and dewatering services. 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 $33.4 million in the first six months of 2018 as compared to $32.7 million in 2017. This increase of $0.7 million was mainly attributable to a greater amount of depreciation being recorded in the Trucking/Logistics segment, which was somewhat offset by a reduction in the amount being recorded in the Oilfield Services segment. Depreciation in the Trucking/Logistics segment increased by $0.7 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 Oilfield Services segment decreased by $0.1 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. These decreases were somewhat offset by a greater amount of depreciation being recorded on specialty equipment due to the change in estimate applied prospectively as of January 1, 2018, which was based upon the revised estimated

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

useful life of such equipment. For further information, refer to the section titled "*Change in Accounting Estimate*" beginning on page 54. Depreciation in the Corporate Office increased by $0.1 million on a year over year basis.

Amortization of Intangible Assets

Amortization of intangible assets was $7.2 million in the first six months of 2018 as compared to $5.2 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 $10.7 million in the first six months of 2018 as compared to $15.2 million in 2017. The decrease of $4.5 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. Finance costs also decreased due to a greater amount of interest income being generated from cash and cash equivalents in 2018, and less 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.

Net Foreign Exchange Loss (Gain)

The net foreign exchange loss was $8.1 million in the first six months of 2018 as compared to a gain of $11.7 million in 2017. The components of net foreign exchange loss (gain) are as follows:

Net Foreign Exchange Loss (Gain)	**Six month periods ended June 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2018**	**2017**
Foreign exchange loss (gain) on U.S. $ debt	**14.3**	(14.1)
Foreign exchange (gain) loss on Cross-Currency Swaps	**(6.2)**	2.4
Net foreign exchange loss (gain)	**8.1**	(11.7)

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

We recorded a foreign exchange loss of $14.3 million related to the Corporation's U.S. dollar debt due to the $0.0623 weakening of the Canadian dollar relative to the U.S. dollar in the first six months of 2018. For the same period in 2017 we recorded a foreign exchange gain of $14.1 million due to the change in value of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange loss (gain) on U.S. dollar debt are summarized in the table below:

Foreign Exchange Loss (Gain) **on U.S. $ Debt**	**Six month periods ended June 30**					
	2018			**2017**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – June 30	**229.0**	**1.3168**	**301.6**	314.0	1.2977	407.5
Beginning – January 1	**229.0**	**1.2545**	**287.3**	314.0	1.3427	421.6
Foreign exchange loss (gain) on U.S. $ debt			**14.3**			(14.1)

Foreign Exchange (Gain) Loss on Cross-Currency Swaps

We recorded a foreign exchange gain on Cross-Currency Swaps of $6.2 million in the first six months of 2018 as compared to a $2.4 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	**Six month periods ended June 30**			
	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**	**(3.5)**	117.0	1.4
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(2.7)**	112.0	1.0
Foreign exchange (gain) loss on Cross-Currency Swaps		**(6.2)**		2.4

Other (Income) Expense

Other income was $1.7 million for the first six months of 2018 as compared to $1.3 million of other income recorded in 2017. The $0.4 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $0.1 million). We recorded a decrease in the fair value of investments of $1.1 million in the first six months of 2018 as compared to a $1.2 million decrease in 2017. There were no investments purchased or sold during the first six months of 2018 or 2017.

Gain or Loss on Sale of Property, Plant and Equipment (positive variance of $1.1 million). We recognized a gain of $0.8 million on sale of property, plant and equipment on consolidated proceeds on sale of $7.5 million in the first six months of 2018 as compared to a $0.3 million loss on consolidated proceeds on sale of $3.8 million in 2017. The $0.8 million gain on sale of property, plant and equipment in 2018 mainly resulted from the sale of older equipment in the Oilfield Services segment.

Earnings from Equity Investments (positive variance of $0.7 million). We recognized $2.0 million of earnings from equity investments in the first six months of 2018 as compared to $1.3 million in 2017. The $0.7 million positive variance was mainly due to the incremental earnings generated by Thrive.

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.

Income Taxes

(unaudited) *($ millions)*	Six month periods ended June 30	
	2018	**2017**
Income before income taxes	**$ 24.5**	$ 41.4
Combined statutory tax rate	**27%**	27%
Expected income tax	**6.6**	11.2
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**1.1**	(1.6)
Non-deductible (taxable) portion of the change in fair value of investments	**0.1**	—
Stock-based compensation expense	**0.2**	0.1
Decrease in income tax due to changes in income tax rates	**—**	(0.4)
Unrecognized deferred tax asset	**1.1**	(1.6)
Other	**—**	(0.4)
Income tax expense	**$ 9.1**	$ 7.3

Income tax expense was $9.1 million in the first six months of 2018 as compared to $7.3 million in 2017. The increase of $1.8 million was mainly attributable to the variance in net foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Six month periods ended June 30		
	2018	**2017**	**% Change**
Net income	**$ 15.4**	$ 34.1	(54.8)
Weighted average number of Common Shares outstanding	**103,714,891**	103,654,316	0.1
Earnings per share – basic	**$ 0.15**	$ 0.33	(54.5)

Net income decreased to $15.4 million in the first six months of 2018 as compared to $34.1 million in 2017. The factors contributing to the decrease in net income include:

- a $19.8 million negative variance in net foreign exchange;
- a $2.0 million increase in amortization of intangible assets;
- a $1.8 million increase in income tax expense;
- a $1.5 million gain on the fair value of equity investment in 2017; and
- a $0.7 million increase in depreciation of property, plant and equipment.

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

- a $4.5 million decrease in finance costs;
- a $1.1 million increase in the gain on sale of property, plant and equipment;
- a $0.7 million increase in earnings from equity investments;
- a $0.7 million increase in OIBDA; and
- a $0.1 million positive variance in the fair value of investments.

Basic earnings per share decreased to $0.15 in 2018 as compared to $0.33 in 2017. This decrease resulted from the effect of the $18.7 million decrease in net income. The weighted average number of Common Shares outstanding increased slightly from 103,654,316 to 103,714,891, which was due to the conversion of some Debentures into Common Shares in the second quarter of 2018.

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited) ***($ millions, except share and per share amounts)***	**Six month periods ended June 30**	
	2018	**2017**
Income before income taxes	**$ 24.5**	$ 41.4
Add (deduct):		
Net foreign exchange loss (gain)	**8.1**	(11.7)
Change in fair value of investments	**1.1**	1.2
Gain on fair value of equity investment	**—**	(1.5)
Income before income taxes – adjusted	**33.7**	29.4
Income tax rate	**27%**	27%
Computed expected income tax expense	**9.1**	7.9
Net income – adjusted[1]	**24.6**	21.5
Weighted average number of Common Shares outstanding – basic	**103,714,891**	103,654,316
Earnings per share – adjusted[1]	**$ 0.24**	$ 0.21

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

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SEGMENTED INFORMATION – SIX MONTH PERIOD ENDED JUNE 30, 2018

Six month period ended June 30, 2018 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**426.9**	**161.3**	**(0.4)**	**587.8**
Direct operating expenses	**315.1**	**114.3**	**(4.3)**	**425.1**
Selling and administrative expenses	**52.6**	**22.6**	**5.3**[2]	**80.5**
Operating income before depreciation and amortization	**59.2**	**24.4**	**(1.4)**	**82.2**
Net capital expenditures[1]	**23.1**	**(0.5)**	**0.6**	**23.2**

Six month period ended June 30, 2017 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	364.1	195.4	(1.0)	558.5
Direct operating expenses	271.8	133.1	(3.6)	401.3
Selling and administrative expenses	44.5	23.3	7.9[3]	75.7
Operating income before depreciation and amortization	47.8	39.0	(5.3)	81.5
Net capital expenditures[1]	7.0	(0.6)	(0.5)	5.9

[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 $3.5 million foreign exchange loss.

TRUCKING/LOGISTICS SEGMENT

Revenue

Revenue – Trucking/Logistics **Six month periods ended June 30** *(unaudited)* *($ millions)*	2018		2017		Change	
	$	%	$	%	$	%
Company	**280.3**	**65.7**	242.0	66.5	38.3	15.8
Contractors	**146.0**	**34.2**	121.7	33.4	24.3	20.0
Other	**0.6**	**0.1**	0.4	0.1	0.2	50.0
Total	**426.9**	**100.0**	364.1	100.0	62.8	17.2

The Trucking/Logistics segment revenue improved by $62.8 million, or 17.2 percent, to $426.9 million as compared to $364.1 million in 2017 and represented 72.6 percent of pre-consolidated revenue in 2018 as compared to 65.1 percent in 2017. 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 and $36.2 million in the first and second quarters, respectively. Some of the specific factors that impacted revenue were the following:

- Our regional LTL business improved by $17.7 million, or 8.9 percent, during the six month period and benefitted from rate increases, market share gains and the recovery in the Alberta economy, which is highly correlated to

increase oil and gas industry fundamentals. The six regional LTL Business Units[1] generated revenue of $217.0 million as compared to $199.3 million in 2017.

- Our nine truckload services Business Units generated $215.5 million in revenue as compared to $171.5 million in 2017 due to the $23.2 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.

- Fuel surcharge revenue, excluding the effect of acquisitions, increased by $10.7 million to $43.8 million as compared to $33.1 million in 2017.

Revenue related to Company Equipment increased by $38.3 million, or 15.8 percent, to $280.3 million as compared to $242.0 million in 2017 and represented 65.7 percent of segment revenue in the current period as compared to 66.5 percent in 2017. Revenue related to Contractors increased by $24.3 million, or 20.0 percent, to $146.0 million as compared to $121.7 million in 2017 and represented 34.2 percent of segment revenue in the current period as compared to 33.4 percent in 2017.

Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics
Six month periods ended June 30

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**75.8**	**27.0**	67.6	27.9	8.2	12.1
Fuel	**34.1**	**12.2**	26.9	11.1	7.2	26.8
Repairs and maintenance	**33.3**	**11.9**	31.0	12.8	2.3	7.4
Purchased transportation	**41.0**	**14.6**	36.4	15.0	4.6	12.6
Operating supplies	**12.8**	**4.6**	10.7	4.4	2.1	19.6
Other	**9.0**	**3.2**	8.5	3.6	0.5	5.9
	206.0	**73.5**	181.1	74.8	24.9	13.7
Contractors	**109.1**	**74.7**	90.7	74.5	18.4	20.3
Total	**315.1**	**73.8**	271.8	74.6	43.3	15.9

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

We gained operational efficiencies during the first half of 2018 that resulted in lower DOE as a percentage of revenue. DOE expressed as a percentage of revenue decreased by 0.8 percent to 73.8 percent as compared to 74.6 percent in 2017. Total DOE were $315.1 million in 2018 as compared to $271.8 million in 2017. The increase of $43.3 million, or 15.9 percent, was directly related to the following factors:

- a $62.8 million, or 17.2 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 $24.9 million, or 13.7 percent, to $206.0 million as compared to $181.1 million in 2017. This increase was generally in proportion to the $38.3 million, or 15.8 percent, increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 1.3 percent to 73.5 percent as compared to 74.8 percent in 2017 due to the effect of 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.

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

Contractors expense in 2018 increased by $18.4 million to $109.1 million as compared to $90.7 million in 2017. This increase was generally in line with the $24.3 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased slightly to 74.7 percent as compared to 74.5 percent in 2017.

Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics
Six month periods ended June 30

(unaudited) ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**30.9**	**7.2**	27.7	7.6	3.2	11.6
Communications, utilities and general supplies	**13.9**	**3.3**	11.4	3.1	2.5	21.9
Profit share	**3.5**	**0.8**	2.6	0.7	0.9	34.6
Foreign exchange	**(0.8)**	**(0.2)**	0.2	0.1	(1.0)	(500.0)
Rent and other	**5.1**	**1.2**	2.6	0.7	2.5	96.2
Total	**52.6**	**12.3**	44.5	12.2	8.1	18.2

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

S&A expenses were $52.6 million in 2018 as compared to $44.5 million in 2017. The increase of $8.1 million was primarily due to the $4.7 million of incremental S&A expenses associated with the acquisitions and the $0.9 million increase in profit share expense due to the improved profitability being offset by a $1.0 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 12.2 percent in 2017.

Operating Income Before Depreciation and Amortization

OIBDA in 2018 increased by $11.4 million, or 23.8 percent, to $59.2 million as compared to $47.8 million generated in 2017. Operating margin[1] increased to 13.9 percent as compared to 13.1 percent in 2017. This 0.8 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;
- lower margins generated by the recent acquisitions, which are generally classified as asset light and typically generate lower margins; and
- higher fuel costs associated with operating Company Equipment.

Capital Expenditures

Net capital expenditures[1] were $23.1 million in the first six months of 2018, an increase of $16.1 million as compared to $7.0 million in 2017. The Trucking/Logistics segment had gross capital expenditures of $24.7 million and dispositions of $1.6 million for net capital expenditures[1] of $23.1 million in 2018. Gross capital expenditures mainly consisted of the purchase of trucks and trailers predominantly 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 $8.0 million and dispositions were $1.0 million for net capital expenditures[1] of $7.0 million.

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

OILFIELD SERVICES SEGMENT

Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, declined in the first six months of 2018 as compared to the prior year. Industry statistics indicate that the average active rig count was 190 rigs during 2018 as compared to 207 active rigs in 2017, a decrease of 17 rigs or 8.2 percent. In addition, total wells drilled in 2018 decreased by 5.4 percent to 3,157 wells drilled in the period as compared to 3,336 wells drilled in 2017. However, due to changes in drilling techniques, the length of metres drilled within such wells increased by 3.7 percent during the current period to 9.45 million metres as compared to 9.11 million metres in 2017.

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

	Six month periods ended June 30			
	2018	**2017**	**# Change**	**% Change**
British Columbia	**224**	295	(71)	(24.1)
Alberta	**1,716**	1,756	(40)	(2.3)
Saskatchewan	**1,119**	1,190	(71)	(6.0)
Manitoba	**98**	95	3	3.2
Northwest Territories	**—**	—	—	—
Total	**3,157**	3,336	(179)	(5.4)

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

Revenue

Revenue – Oilfield Services **Six month periods ended June 30** ***(unaudited)*** ***($ millions)***	**2018**		**2017**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**116.1**	**72.0**	146.1	74.8	(30.0)	(20.5)
Contractors	**44.5**	**27.6**	48.4	24.8	(3.9)	(8.1)
Other	**0.7**	**0.4**	0.9	0.4	(0.2)	(22.2)
Total	**161.3**	**100.0**	195.4	100.0	(34.1)	(17.5)

Segment revenue decreased by $34.1 million, or 17.5 percent, to $161.3 million as compared to $195.4 million in 2017 and represented 27.4 percent of pre-consolidated revenue as compared to 34.9 percent of pre-consolidated revenue in 2017. This decrease in revenue was mainly attributable to reduced drilling activity in the WCSB and the decline in demand for large diameter pipeline hauling and stringing services. Revenue decreased by $20.0 million and $14.1 million in the first and second quarters, respectively. Specific factors affecting the Oilfield Services segment's year to date revenue were:

- a $22.7 million decrease in revenue generated by those Business Units providing specialized services to the oil sands and water management industries including a $13.5 million decrease in pipeline hauling and stringing services revenue as well as a significant reduction in demand for pumps and water management services at Canadian Dewatering, especially during the first quarter;

- a $9.0 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity as a result of lower drilling activity in the WCSB;

- a $2.0 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells; and

- a $0.4 million decrease in revenue generated by those Business Units providing drilling services including conductor pipe setting.

Direct Operating Expenses

Direct Operating Expenses – Oilfield Services Six month periods ended June 30 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**28.5**	**24.5**	36.3	24.8	(7.8)	(21.5)
Fuel	**10.8**	**9.3**	11.1	7.6	(0.3)	(2.7)
Repairs and maintenance	**22.1**	**19.0**	22.6	15.5	(0.5)	(2.2)
Purchased transportation	**0.6**	**0.5**	1.1	0.8	(0.5)	(45.5)
Operating supplies	**13.4**	**11.5**	19.7	13.5	(6.3)	(32.0)
Other	**3.6**	**3.2**	4.5	3.0	(0.9)	(20.0)
	79.0	**68.0**	95.3	65.2	(16.3)	(17.1)
Contractors	**35.3**	**79.3**	37.8	78.1	(2.5)	(6.6)
Total	**114.3**	**70.9**	133.1	68.1	(18.8)	(14.1)

**as a percentage of respective Oilfield Services revenue*

DOE were $114.3 million in 2018 as compared to $133.1 million in 2017. The decrease of $18.8 million, or 14.1 percent, was directly related to the net effect of the following factors:

- a $34.1 million, or 17.5 percent, decline in segment revenue;
- higher costs, the most notable being repairs and maintenance as well as fuel; and
- a $6.3 million reduction in operating supplies mainly due to the decrease in Canadian Dewatering's pump sales.

As a percentage of revenue these expenses increased by 2.8 percent to 70.9 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 decreased by $16.3 million, or 17.1 percent, to $79.0 million as compared to $95.3 million in 2017. This decrease was directly related to the $30.0 million, or 20.5 percent, decrease in Company revenue. As a percentage of Company revenue these expenses increased by 2.8 percent to 68.0 percent as compared to 65.2 percent in 2017 primarily due to higher repairs and maintenance expense as well as higher fuel costs being partially offset by a reduction in operating supplies expense.

Contractors expense in 2018 decreased to $35.3 million, as compared to $37.8 million in 2017. This $2.5 million decrease was directly related to the reduction in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 79.3 percent as compared to 78.1 percent due to the lack of availability of subcontractors.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services Six month periods ended June 30 *(unaudited)* *($ millions)*	2018		2017		Change	
	$	%*	$	%*	$	%
Wages and benefits	**12.7**	**7.9**	12.2	6.2	0.5	4.1
Communications, utilities and general supplies	**7.0**	**4.3**	6.9	3.5	0.1	1.4
Profit share	**1.3**	**0.8**	2.5	1.3	(1.2)	(48.0)
Rent and other	**1.6**	**1.0**	1.7	0.9	(0.1)	(5.9)
Total	**22.6**	**14.0**	23.3	11.9	(0.7)	(3.0)

**as a percentage of total Oilfield Services revenue*

S&A expenses in 2018 decreased by $0.7 million to $22.6 million as compared to $23.3 million in 2017, primarily due to the $1.2 million decrease in profit share expense as well as various cost control initiatives being partially offset by a slight increase in wages and benefits expense. S&A expenses as a percentage of segment revenue increased by 2.1 percent to 14.0 percent due to the overall fixed nature of these expenses relative to the $34.1 million decrease in segment revenue.

Operating Income Before Depreciation and Amortization

OIBDA in 2018 decreased by $14.6 million, or 37.4 percent, to $24.4 million. OIBDA decreased by $9.1 million in the first quarter and then declined by a further $5.5 million in the second quarter. The year over year decrease can be attributed to the following:

- a $7.8 million decrease relating to those Business Units leveraged to the oil sands and pipeline construction projects;
- a $5.1 million decrease from Business Units tied to drilling related activity;
- a $1.4 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $0.3 million decrease from Business Units providing drilling services.

OIBDA represented as a percentage of segment revenue decreased to 15.1 percent in 2018 as compared to 20.0 percent in 2017. The 4.9 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 had a detrimental effect on margin.

Capital Expenditures

Net capital expenditures[1] were $(0.5) million in the first six months of 2018, an increase of $0.1 million as compared to $(0.6) million in 2017. The Oilfield Services segment had gross capital expenditures of $6.8 million and dispositions of $7.3 million for net capital expenditures[1] of $(0.5) million in 2018. Gross capital expenditures mainly consisted of investments made to fund future growth opportunities as well as commence the replacement cycle of older equipment after years of under-investing in this segment. 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 $2.8 million and dispositions were $3.4 million for net capital expenditures[1] of $(0.6) million.

CORPORATE

The Corporate Office recorded a loss of $1.4 million in the first six months of 2018 as compared to a loss of $5.3 million in 2017. The $3.9 million decrease in loss was mainly attributable to a $3.8 million positive variance in foreign exchange. In the first six months of 2018, the Corporate Office recorded a foreign exchange gain of $0.3 million as compared to a foreign exchange loss of $3.5 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. $3.6 million of cash combined with a $0.0623 strengthening of the U.S. dollar relative to the Canadian dollar. Excluding the effects of foreign exchange, the Corporate Office experienced a loss of $1.7 million as compared to a loss of $1.8 million in 2017. The reduction of $0.1 million was mainly due to additional income being generated from real estate holdings being somewhat offset by higher costs including salaries and stock-based compensation expense.

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

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Six month periods ended June 30	
	2018	**2017**
Net cash from operating activities	**$ 57.7**	$ 39.8
Net cash used in financing activities	**(113.2)**	(36.3)
Net cash used in investing activities	**(56.8)**	(20.1)
Change in cash and cash equivalents	**(112.3)**	(16.6)
Effect of exchange rate fluctuations on cash held	**0.5**	(3.7)
Cash and cash equivalents, beginning of period	**134.5**	270.3
Cash and cash equivalents, end of period	**$ 22.7**	$ 250.0

Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $57.7 million in the first six months of 2018 as compared to $39.8 million in 2017. Net cash used in financing activities in 2018 increased by $76.9 million to $113.2 million as compared to $36.3 million in 2017. The $76.9 million increase was mainly due to repaying the Series D Notes upon maturity at June 30, 2018, and from an increase in dividends paid to shareholders. These increases were somewhat offset by a reduction in interest paid resulting from the repayment of the Series E (U.S.$ 85.0 million) and Series F ($20.0 million) Notes on September 27, 2017. Net cash used in investing activities increased by $36.7 million to $56.8 million as compared to $20.1 million in 2017. This increase was due to a greater amount of cash being used in 2018 on acquisitions and capital expenditures. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities increased to $57.7 million in the first six months of 2018 as compared to $39.8 million in 2017. The increase of $17.9 million, or 45.0 percent was mainly due to a $13.5 million increase in cash generated from non-cash working capital items, a $7.4 million decrease in cash taxes paid and a $0.7 million increase in OIBDA, which was somewhat offset by the impact of foreign exchange.

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

Changes in Non-Cash Working Capital Items from Operating Activities

(unaudited) *($ millions)*	Six month periods ended June 30		
	2018	**2017**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(4.1)**	(19.1)	15.0
Inventory	**(0.9)**	(1.0)	0.1
Prepaid expenses	**(6.3)**	(7.7)	1.4
Accounts payable and accrued liabilities	**(0.9)**	2.1	(3.0)
Total sources (uses) of cash from non-cash working capital items	**(12.2)**	(25.7)	13.5

In the first six months of 2018 we used $12.2 million of cash from changes in non-cash working capital items from operating activities as compared to using $25.7 million of cash in 2017. This $13.5 million variance was mainly due to the following factors.

- An additional $15.0 million of cash was generated from trade and other receivables that resulted from the combined effect of a $4.1 million use of cash in 2018 as compared to a $19.1 million use of cash in 2017.

- An additional $0.1 million of cash was generated from inventory that resulted from the combined effect of a $0.9 million use of cash in 2018 as compared to a $1.0 million use of cash in 2017.

- An additional $1.4 million of cash was generated from prepaid expenses that resulted from the combined effect of a $6.3 million use of cash in 2018 as compared to a $7.7 million use of cash in 2017.

Somewhat offsetting these items was the following:

- An additional $3.0 million of cash was used from accounts payable and accrued liabilities that resulted from the combined effect of a $0.9 million use of cash in 2018 as compared to a $2.1 million source of cash in 2017.

Cash Used In Financing Activities

Net cash used in financing activities was $113.2 million in the first six months of 2018 as compared to using $36.3 million in 2017. This $76.9 million variance was mainly due to the factors set forth below.

- A $71.3 million increase in the repayment of long-term debt in 2018 as compared to 2017 due to repaying the Series D Notes ($70.0 million) upon maturity and from repaying debt that was assumed on acquisitions.

- A $10.3 million increase in dividends paid to shareholders in 2018 as compared to 2017 due to an increase in the amount of the monthly dividend.

Somewhat offsetting these items was the following:

- A $4.5 million decrease in interest paid on long-term debt due to the repayment of the Series E and Series F Notes in September 2017.

Cash Used In Investing Activities

Net cash used in investing activities increased to $56.8 million in the first six months of 2018 as compared to $20.1 million in 2017. This $36.7 million increase was mainly due to the factors set forth below.

- A $20.6 million increase in cash used to fund acquisitions due to the 2018 acquisitions of AECOM ISD, DWS and Dacota as compared to the 2017 acquisitions of Envolve and Kel-West.

- A $17.3 million increase in net capital expenditures[1]. In the first six months of 2018 net capital expenditures[1] were $23.2 million as compared to $5.9 million in 2017.

- A $0.4 million change in other assets.

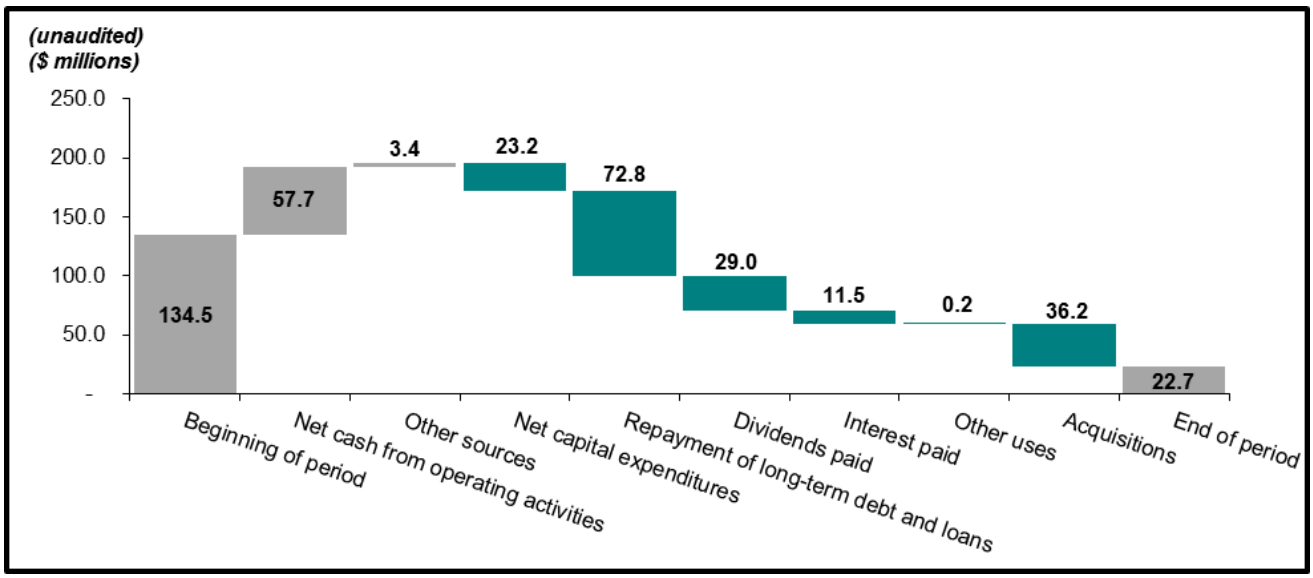
Somewhat offsetting these items was the following:

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

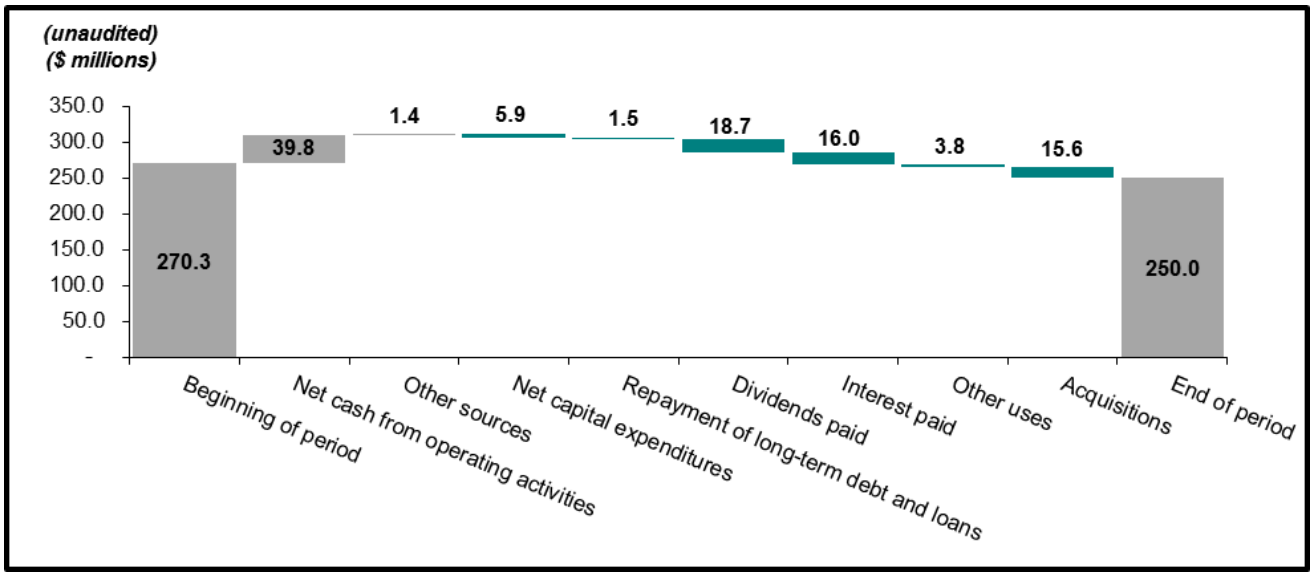
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

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

Six month period ended June 30, 2018



Six month period ended June 30, 2017



In addition to the $57.7 million (2017 – $39.8 million) of net cash from operating activities, we also received $3.4 million (2017 – $1.4 million) of cash from other sources, which mainly consisted of interest income generated on cash and cash equivalents and from changes in non-cash working capital items from financing and investing activities. Cash was used to fund acquisitions of $36.2 million (2017 – $15.6 million), repay long-term debt and loans of $72.8 million (2017 – $1.5 million), pay dividends totalling $29.0 million (2017 – $18.7 million), incur net capital expenditures[1] of $23.2 million (2017 – $5.9 million) and pay interest obligations of $11.5 million (2017 – $16.0 million). We also had $0.2 million (2017 – $3.8 million) of other uses.

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

Working Capital

At June 30, 2018, we had $161.8 million (December 31, 2017 – $181.6 million) of working capital, which included $22.7 million (December 31, 2017 – $134.5 million) of cash and cash equivalents, of which $10.8 million was denominated in U.S. currency. Included within non-cash working capital is $2.0 million of Debentures, which were converted into Common Shares of the Corporation or repaid in July 2018. The Series D Notes were repaid on June 29, 2018 and the Debentures mature on July 1, 2018.

In addition to the $161.8 million of working capital, we had access to our $75.0 million credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). At June 30, 2018, there were no amounts drawn on the Bank Credit Facility. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2018 are available to finance our ongoing working capital requirements, our 2018 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 Board will continue to monitor both of the sectors of the economy we serve and will adjust the capital budget as new opportunities arise. 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, Mullen Group's maintenance capital expenditure approximates its annual depreciation on property, plant and equipment. Our diverse business model, and wide range of operations, provides us with the ability to redeploy certain assets over different regions for greater utilization. In the first six months of 2018, there were $1.3 million of trucks and trailers transferred to Business Units in the Trucking/Logistics segment from the Oilfield Services segment. It also provides us with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

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Debt

As at June 30, 2018, we had net debt[1] outstanding of $309.4 million, (December 31, 2017 – $275.2 million), which consisted of total debt of $473.3 million (December 31, 2017 – $540.0 million) less working capital (excluding the current portion of long-term debt) of $163.9 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. This decrease was somewhat offset 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, Debentures, Various Financing Loans and the Bank Credit Facility. The following table summarizes our total debt and net debt[1] as at June 30, 2018, and December 31, 2017:

		June 30, 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**	**154.0**	117.0	146.8	**7.2**
Series H - matures October 22, 2026	3.94%	**112.0**	**147.5**	112.0	140.5	**7.0**
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)]	**—**	**—**	—	—	**—**
Various Financing Loans	6.50%	**—**	**0.1**	—	0.8	**(0.7)**
Less:						
Unamortized debt issuance costs		**—**	**(1.3)**	—	(1.5)	**0.2**
Long-term debt (including the current portion)		**229.0**	**471.3**	229.0	527.6	**(56.3)**
Debentures - debt component	10.0%	**—**	**2.0**	—	12.4	**(10.4)**
Total debt		**$ 229.0**	**$ 473.3**	$ 229.0	$ 540.0	**$ (66.7)**
Less:						
Working capital (excluding the current portion of long-term debt and Debentures)			**163.9**		264.8	**(100.9)**
Net debt[(2)]			**$ 309.4**		$ 275.2	**$ 34.2**

[(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".

Amending Agreement and Private Placement Debt Financial Covenants

Mullen Group has certain financial covenants under its Private Placement Debt. On March 31, 2016, at our discretion, we entered into an Amending Agreement with the Private Placement Debt noteholders that included both temporary and permanent amendments. The Amending Agreement replaced the financial covenant term total debt with total net debt[1] for financial covenant calculation purposes. On a temporary basis, during the Covenant Relief Period, total net debt[1] was defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and 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. After the Covenant Relief Period, the definition of total net debt[1] has been permanently defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same. There are two main financial covenants, summarized as follows:

[1] 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, excluding the Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. 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.

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

Total net debt[(1)] to operating cash flow	**June 30 2018**	**March 31 2018**	**December 31 2017**
Total net debt[(1)]	**$ 444.3**	$ 438.1	$ 421.8
Operating cash flow	**$ 177.2**	$ 172.4	$ 175.8
Total net debt[(1)] to operating cash flow	**2.51:1**	2.54:1	2.40:1

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

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

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

Financial Covenants	**Financial Covenant Threshold**	**June 30 2018**	**March 31 2018**	**December 31 2017**
Private Placement Debt Covenants				
(a) Total net debt[(1)] to operating cash flow cannot exceed	3.50:1	**2.51:1**	2.54:1	2.40:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	**5.32:1**	5.02:1	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 2.51:1 at June 30, 2018. Assuming the $444.3 million of total net debt[1] remains constant, we would need to generate approximately $126.9 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. Cash as at June 30, 2018, was $22.7 million, including $10.8 million of U.S. dollars, a portion of which could be used to repay current debt maturities, fund acquisitions, increase capital expenditures or use for general corporate purposes. 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 month operating cash flows from the date of acquisition for financial covenant calculation purposes.

Our debt-to-equity ratio was 0.48:1 at June 30, 2018, as compared to 0.55:1 at December 31, 2017. This decrease in the debt-to-equity ratio was due to the net effect of a $66.6 million decrease in total debt (including the current portion) and a $4.2 million decrease in equity as compared to December 31, 2017. The $66.6 million decrease in total debt was mainly due to the conversion of $10.4 million of Debentures and the repayment of the Series D ($70.0 million) Notes, which were somewhat offset by the effect of the $14.3 million foreign exchange loss on the Corporation's U.S. dollar debt. The $4.2 million decrease in equity mainly resulted from the $31.3 million of dividends declared to shareholders being somewhat offset by the $11.1 million of share capital recorded on the conversion of Debentures and the $15.4 million of net income being recognized in the first six months of 2018.

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

Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 43 of the 2017 MD&A. As at June 30, 2018, Mullen Group's contractual obligations have not changed significantly from this overview, other than certain obligations associated with our recent acquisitions.

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 conversion of Debentures	990,725		11.1
Balance at June 30, 2018	**104,645,041**	**$**	**944.4**

At June 30, 2018, there were 104,645,041 Common Shares outstanding representing $944.4 million in share capital, an increase of $11.1 million as compared to $933.3 million at December 31, 2017. This increase was due to an additional $11.1 million recorded on the issuance of 990,725 Common Shares in relation to the conversion of 10,400 Debentures including accrued and unpaid interest.

Stock Option Plan

	Options		**Weighted average exercise price**
Outstanding – December 31, 2017	3,587,500	$	19.20
Granted	15,000		16.72
Exercised	—		—
Forfeited	(205,000)		(19.00)
Outstanding – June 30, 2018	**3,397,500**		**19.21**
Exercisable – June 30, 2018	**1,942,500**		**21.07**

In the first six months of 2018 there were 15,000 stock options granted, no stock options were exercised and 205,000 stock options were forfeited. As at June 30, 2018, Mullen Group had 3,397,500 stock options outstanding under the stock option plan.

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 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				2016	
(unaudited)		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
($ millions, except per share amounts)	$	$	$	$	$	$	$	$	$
Revenue	**1,167.8**	295.7	**292.1**	**296.1**	**283.9**	**273.6**	**284.9**	257.8	258.6
Operating income before depreciation and amortization	**172.9**	44.3	**37.9**	**46.0**	**44.7**	**39.8**	**41.7**	42.5	53.6
Operating income before depreciation and amortization – adjusted[2]	**177.0**	44.1	**37.8**	**45.9**	**49.2**	**42.3**	**42.7**	40.2	52.1
Net income (loss)	**46.8**	13.9	**1.5**	**5.4**	**26.0**	**19.6**	**14.5**	(0.7)	17.6
Earnings (loss) per share									
Basic	**0.44**	0.13	**0.01**	**0.05**	**0.25**	**0.19**	**0.14**	(0.01)	0.17
Diluted	**0.44**	0.13	**0.01**	**0.05**	**0.25**	**0.19**	**0.14**	(0.01)	0.17
Other Information									
Net foreign exchange (gain) loss	**(1.9)**	1.9	**6.2**	**1.3**	**(11.3)**	**(9.4)**	**(2.3)**	11.4	5.0
Decrease (increase) in fair value of investments	**0.6**	(0.4)	**1.5**	**(0.6)**	**0.1**	**0.2**	**1.0**	(1.6)	(4.4)

(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 Terms".*

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.

Consolidated revenue in the fourth quarter of 2017 improved from the prior year with record Trucking/Logistics segment revenue and increased Oilfield Services segment revenue. Consolidated revenue in the fourth quarter of 2017 increased by $38.3 million, or 14.9 percent, to $296.1 million as compared to $257.8 million in 2016. The increase of $38.3 million was primarily due to $33.6 million of additional revenue generated by the Trucking/Logistics segment and a $5.0 million improvement by the Oilfield Services segment. Revenue in the Trucking/Logistics segment increased by $33.6 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 increased by $5.0 million due to improved demand for fluid hauling and the incremental revenue generated from the acquisition of Envolve. These increases were somewhat offset by lower revenue being generated by those Business Units providing drilling and drilling related services, the decline in demand for large diameter pipeline hauling and stringing and heavy haul services. Net income in the fourth quarter of 2017 was $5.4 million, an increase of $6.1 million as compared to a $0.7 million net loss for the same period in 2016. The $6.1 million increase in net income was mainly attributable to a $10.1 million positive variance in net foreign exchange, a $3.5 million increase in OIBDA, and a $2.4 million decrease in finance costs. These increases were partially offset by a $7.8 million increase in depreciation of property, plant and equipment, a $1.4 million increase in the loss on sale of property, plant and equipment and a $1.0 million negative variance in the fair value of investments. As a result, basic earnings per share in the fourth quarter of 2017 was $0.05, an increase of $0.06, as compared to a loss of $0.01 in 2016.

Third quarter financial performance in 2017 continued the trend from the year's first and second quarter performances where the completion of a series of acquisitions and improved drilling activity resulted in record quarterly revenue in the Trucking/Logistics segment and increased demand for oilfield services. These positive results continued to be somewhat offset by intense competition and the completion of several major capital projects. As a result, our consolidated revenue in the quarter increased to $283.9 million from $258.6 million in 2016. The increase of $25.3 million, or 9.8 percent, was primarily due to $17.4 million of additional revenue generated by the Trucking/Logistics segment and a $6.8 million improvement by the Oilfield Services segment. Revenue in the Trucking/Logistics segment increased by $17.4 million during the quarter due to the incremental revenue generated from the recent acquisitions, an increase in demand for freight services in western Canada and from greater fuel surcharge revenue. These increases were somewhat offset by the completion of various major capital projects. Revenue generated by the Oilfield Services segment increased by $6.8 million due to a greater amount of revenue generated by those Business Units most directly tied to oil and natural gas drilling activity, the $1.9 million of incremental revenue generated from Envolve and a $2.7 million increase in revenue from those Business Units involved in the transportation of fluids and servicing of wells. These increases were somewhat offset by lower

demand for heavy haul services and a reduction in demand for pipeline hauling and stringing services due to the timing of certain projects. Net income in the third quarter of 2017 was $26.0 million, an increase of $8.4 million from the $17.6 million of net income generated in 2016. The $8.4 million increase in net income was mainly attributable to a $16.3 million positive variance in net foreign exchange, a $2.7 million decrease in income tax expense and a $2.0 million gain on contingent consideration. These decreases were partially offset by an $8.9 million decrease in OIBDA and a $4.5 million decrease in the fair value of investments. As a result, basic earnings per share in the third quarter of 2017 was $0.25, an increase of $0.08, from the $0.17 of earnings per share generated in 2016.

TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 63 of the 2017 MD&A. As at June 30, 2018, the transactions with related parties have not changed significantly from these descriptions.

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

PRINCIPAL RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties can be found beginning on page 64 of the 2017 MD&A. As at June 30, 2018, these business risks and uncertainties have not changed significantly from those descriptions and are summarized as follows:

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

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations and is based upon our Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 78 of the 2017 MD&A. As at June 30, 2018, our critical accounting estimates have not changed significantly from such description.

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

A description of new standards and interpretations not yet adopted can be found on page 81 of the 2017 MD&A. There have been no new standards or interpretations issued during 2018 that significantly impact Mullen Group.

Changes in Accounting Policies

IFRS 15 – Revenue From Contracts With Customers

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.

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.

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, 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 $2.2 million increase in depreciation of property, plant and equipment for the six month period ended June 30, 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 $1.0 million per quarter in 2018.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at June 30, 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 June 30, 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 June 30, 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 June 30, 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 completed three acquisitions of companies based in western Canada where we view business prospects are poised to improve and a recovery in the oil and natural gas sector to be close after three very challenging years. Our Oilfield Services segment results were once again disappointing, however, we believe this will improve with the acquisitions we have completed. These forward-looking statements were referred to in the Executive Summary section beginning on page 4 and are based on the assumption that the oil and natural gas industry is poised to increase capital spending and drilling activity in western Canada once again.

- Mullen Group's comment that the second half of the year should provide us with the opportunity to improve our financial results, as referred to in the Outlook section beginning on page 4. This forward looking statement is based upon three contributing factors, which collectively should have a positive influence on our results. Firstly, the expectations for the Canadian Economy remain stable despite the negative news associated with trade disputes and the ongoing NAFTA discussions. As a result, we believe the current tightness in the supply chain, the trucking industry in particular, will continue to support recent pricing gains, which is a positive for our Trucking/Logistics segment. Secondly, the steady rise in crude oil pricing has significantly altered the amount of cash flow generated by the E&P companies, which is one of the key considerations these companies address in determining future capital investment in infrastructure projects as well as drilling for oil and natural gas, both of which are important factors in terms of determining the demand for oilfield services. Drilling activity reports in July 2018 indicate that the rig count in western Canada is above 225, a marked improvement over second quarter 2018 and even slightly above July of last year. As a result we anticipate our Oilfield Services segment will benefit from the improving demand fundamentals. And thirdly, the recent acquisitions we announced and have completed will drive revenue growth. We are confident that once these new acquisitions have been fully integrated into our organization profitability will also improve.

- Mullen Group's belief that the recent announcements regarding the oil and natural gas sector are positive and indicate that this sector of the economy should reemerge as a positive contributor to Canada's economic GDP, as referred to in the Outlook section beginning on page 4. This forward-looking statement is based on the assumption that additional takeaway capacity for energy products in western Canada is positive for E&P companies, which may lead to increased drilling activity.

- Mullen Group's belief that our balance sheet remains strong with ample liquidity to fund additional accretive and strategic growth initiatives, as referred to in the Outlook section beginning on page 4. This forward-looking statement is based on the assumption that we have access to capital resources if needed to complete future acquisitions.

- Mullen Group's intention to pay monthly dividends of $0.05 per Common Share for 2018, as referred to in the Dividends section beginning on page 8. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the monthly dividend.

- Mullen Group's approval of a $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 will be 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 approved an increase in our 2018 capital budget by $20.0 million to $60.0 million, as referred to in the Capital Expenditures sections beginning on page 8 and 46. This forward-looking statement is based on the assumption that our Business Units will require capital to support their ongoing operations and growth opportunities.

- Mullen Group's intention to use working capital, the Bank Credit Facility (as defined on page 46) and the anticipated cash flow from operating activities in 2018 to finance our ongoing working capital requirements, our 2018 capital budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 43. This forward-looking statement is based on our belief that our access to cash will exceed our expected requirements.

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

Forward-looking statements address future events and conditions and, therefore, involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the service and energy industry in general; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory, securityholder and other approvals as may be required from time to time; and changes in legislation, including but not limited to tax laws and environmental regulations. Accordingly, readers should not place undue reliance on the forward-looking statements contained in this MD&A.

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

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP TERMS

The Interim Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to operating margin, 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 June 30		Six month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Operating income before depreciation and amortization	**$ 44.3**	$ 39.8	**$ 82.2**	$ 81.5
Add (deduct):				
Selling and administrative expenses[1]	**(0.2)**	2.5	**(0.3)**	3.5
Operating income before depreciation and amortization – adjusted	**$ 44.1**	$ 42.3	**$ 81.9**	$ 85.0

[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 impact of any net foreign exchange gains and losses, from the change in fair value of investments, 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 20 and 36 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

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

(unaudited) *($ millions)*	Three month periods ended June 30		Six month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Purchase of property, plant and equipment	**$ 18.9**	$ 5.5	**$ 30.7**	$ 9.7
Proceeds on sale of property, plant and equipment	**(5.7)**	(1.4)	**(7.5)**	(3.8)
Net capital expenditures	**$ 13.2**	$ 4.1	**$ 23.2**	$ 5.9

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)*	June 30, 2018	December 31, 2017
Long-term debt	**$ 471.2**	$ 456.8
Convertible debentures - debt component	**2.0**	12.4
Total debt	**473.2**	469.2
Less working capital:		
Current assets	**262.3**	358.1
Current liabilities (excluding convertible debentures – debt component[1])	**(98.5)**	(164.1)
Total working capital	**163.8**	194.0
Net debt	**$ 309.4**	$ 275.2

[1] *The Debentures mature on July 1, 2018. Each $1,000 of Debentures are convertible into 93.2 Common Shares of Mullen Group (or a conversion price of $10.73). In July 2018, 500 Debentures were converted into 46,598 Common Shares and the remaining 1,545 Debentures were repaid in cash.*

Total Net Debt

On March 31, 2016, at our own discretion, we entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms up to and including the Covenant Relief Period. The Amending Agreement replaced the financial covenant term total debt with total net debt for financial covenant calculation purposes. After the Covenant Relief Period, total net debt is calculated by subtracting any unrealized gain on Cross-Currency Swaps or adding any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position from total debt as defined by the agreement. Management calculates total net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) ***($ millions)***		**June 30, 2018**
Private Placement Debt (including current portion)	**$**	**471.2**
Various Financing Loans		**0.1**
Letters of credit		**4.8**
Total debt		**476.1**
Less: unrealized gain on Cross-Currency Swaps		**(31.8)**
Add: unrealized loss on Cross-Currency Swaps		**—**
Total net debt	**$**	**444.3**

Cash Flow per Share

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended June 30**		**Six month periods ended June 30**	
	2018	**2017**	**2018**	**2017**
Net cash from operating activities	**$ 35.9**	$ 35.5	**$ 57.7**	$ 39.8
Weighted average number of Common Shares outstanding	**103,774,799**	103,654,316	**13,714,891**	103,654,316
Cash flow per share	**$ 0.35**	$ 0.34	**$ 0.56**	$ 0.38

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JUNE 30, 2018

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		June 30 2018		December 31 2017
Assets					
Current assets:					
Cash and cash equivalents		**$**	**22,733**	$	134,533
Trade and other receivables	**6**		**183,915**		175,303
Inventory			**31,115**		30,204
Prepaid expenses			**17,991**		10,696
Current tax receivable			**6,593**		7,370
			262,347		358,106
Non-current assets:					
Property, plant and equipment			**933,721**		916,140
Goodwill			**364,717**		363,350
Intangible assets			**44,495**		40,609
Investments			**34,671**		33,755
Deferred tax assets			**3,885**		4,580
Derivative financial instruments	**7**		**31,784**		25,627
Other assets			**8,668**		8,490
			1,421,941		1,392,551
Total Assets		**$**	**1,684,288**	$	1,750,657
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**92,347**	$	88,221
Dividends payable	**8**		**5,232**		3,110
Current tax payable			**877**		2,016
Convertible debentures – debt component	**9**		**2,045**		12,393
Current portion of long-term debt	**11**		**58**		70,781
			100,559		176,521
Non-current liabilities:					
Long-term debt	**11**		**471,239**		456,799
Asset retirement obligations			**979**		972
Deferred tax liabilities			**126,005**		126,634
			598,223		584,405
Equity:					
Share capital	**12**		**944,387**		933,303
Convertible debentures – equity component	**9**		**90**		550
Contributed surplus			**14,715**		13,807
Retained earnings			**26,314**		42,071
			985,506		989,731
Subsequent event	**19**				
Total Liabilities and Equity		**$**	**1,684,288**	$	1,750,657

The notes which begin on page 64 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on July 25, 2018, after review by the Audit Committee.

"Signed: Murray K. Mullen" ***"Signed: Philip J. Scherman"***

Murray K. Mullen, Director Philip J. Scherman, Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) *(thousands, except per share amounts)*	Note	Three month periods ended June 30 2018	Three month periods ended June 30 2017	Six month periods ended June 30 2018	Six month periods ended June 30 2017
Revenue	**15**	**$ 295,682**	$ 273,656	**$ 587,813**	$ 558,544
Direct operating expenses		**210,754**	194,981	**425,104**	401,250
Selling and administrative expenses		**40,599**	38,800	**80,519**	75,751
Operating income before depreciation and amortization		**44,329**	39,875	**82,190**	81,543
Depreciation of property, plant and equipment		**17,037**	16,604	**33,414**	32,680
Amortization of intangible assets		**3,653**	2,694	**7,164**	5,207
Finance costs		**5,242**	7,623	**10,652**	15,196
Net foreign exchange loss (gain)	**7**	**1,948**	(9,373)	**8,110**	(11,690)
Other (income) expense	**16**	**(3,105)**	(412)	**(1,702)**	(1,322)
Income before income taxes		**19,554**	22,739	**24,552**	41,472
Income tax expense	**10**	**5,644**	3,131	**9,161**	7,315
Net income and total comprehensive income		**$ 13,910**	$ 19,608	**$ 15,391**	$ 34,157
Earnings per share:	**13**				
Basic		**$ 0.13**	$ 0.19	**$ 0.15**	$ 0.33
Diluted		**$ 0.13**	$ 0.19	**$ 0.15**	$ 0.33
Weighted average number of Common Shares outstanding:	**13**				
Basic		**103,775**	103,654	**103,715**	103,654
Diluted		**104,645**	103,654	**104,645**	103,657

The notes which begin on page 64 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited) **(*thousands*)**		**Share capital**		**Convertible debentures – equity component**		**Contributed surplus**		**Retained earnings**		**Total**
Balance at January 1, 2018	**$**	**933,303**	**$**	**550**	**$**	**13,807**	**$**	**42,071**	**$**	**989,731**
Total comprehensive income for the period		**—**		**—**		**—**		**15,391**		**15,391**
Common Shares issued on conversion of convertible debentures		**11,084**		**(460)**		**—**		**—**		**10,624**
Stock-based compensation expense		**—**		**—**		**908**		**—**		**908**
Dividends declared to common shareholders		**—**		**—**		**—**		**(31,148)**		**(31,148)**
Balance at June 30, 2018	**$**	**944,387**	**$**	**90**	**$**	**14,715**	**$**	**26,314**	**$**	**985,506**

(unaudited) **(*thousands*)**		**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		—		—		—		34,157		34,157
Stock-based compensation expense		—		—		437		—		437
Dividends declared to common shareholders		—		—		—		(18,658)		(18,658)
Balance at June 30, 2017	$	933,303	$	550	$	13,116	$	29,377	$	976,346

The notes which begin on page 64 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	Note	Six month periods ended June 30 2018	2017
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 15,391**	$ 34,157
Adjustments for:			
Depreciation and amortization		**40,578**	37,887
Finance costs		**10,652**	15,196
Stock-based compensation expense		**908**	437
Foreign exchange (gain) loss on cross-currency swaps	**7**	**(6,157)**	2,440
Foreign exchange loss (gain)		**13,720**	(10,468)
Change in fair value of investments	**16**	**1,085**	1,225
(Gain) loss on sale of property, plant and equipment	**16**	**(793)**	303
Gain on fair value of equity investment	**16**	**—**	(1,555)
Earnings from equity investments	**16**	**(2,001)**	(1,300)
Accretion on asset retirement obligations	**16**	**7**	5
Income tax expense	**10**	**9,161**	7,315
Cash flows from operating activities before non-cash working capital items		**82,551**	85,642
Changes in non-cash working capital items from operating activities	**17**	**(12,258)**	(25,707)
Cash generated from operating activities		**70,293**	59,935
Income tax paid		**(12,680)**	(20,125)
Net cash from operating activities		**57,613**	39,810
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(29,026)**	(18,658)
Interest paid		**(11,483)**	(16,030)
Repayment of long-term debt and loans		**(72,848)**	(1,509)
Changes in non-cash working capital items from financing activities		**106**	(133)
Net cash used in financing activities		**(113,251)**	(36,330)
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(36,221)**	(15,596)
Purchase of property, plant and equipment		**(30,713)**	(9,720)
Proceeds on sale of property, plant and equipment		**7,545**	3,845
Dividends from equity investee		**—**	128
Interest received		**1,437**	1,102
Other assets		**(178)**	167
Changes in non-cash working capital items from investing activities		**1,421**	4
Net cash used in investing activities		**(56,709)**	(20,070)
Change in cash and cash equivalents		**(112,347)**	(16,590)
Cash and cash equivalents at January 1		**134,533**	270,291
Effect of exchange rate fluctuations on cash held		**547**	(3,662)
Cash and cash equivalents at June 30		**$ 22,733**	$ 250,039

The notes which begin on page 64 are an integral part of these condensed interim consolidated financial statements.

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

These Interim Financial Statements have been prepared in accordance to and comply with International Financial Reporting Standards ("**IFRS**"), which include the International Accounting Standards ("**IAS**") and the interpretations developed by the International Financial Reporting Interpretations Committee ("**IFRIC**"), as issued by the International Accounting Standards Board ("**IASB**"). These Interim Financial Statements comply with IAS 34 Interim Financial Reporting and do not include all of the information required for annual financial statements.

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

3. Significant Accounting Policies

(a) Significant Accounting Policies

Except as indicated below, the accompanying Interim Financial Statements should be read in conjunction with Note 3 to Mullen Group's audited annual consolidated financial statements for the year ended December 31, 2017, (the "**Annual Financial Statements**") as the accounting policies applied by the Corporation in these Interim Financial Statements are the same as those disclosed therein.

(b) Change in Accounting Policies

IFRS 15 – Revenue from Contracts with Customers

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.

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

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. ▶ **For more information, refer to Note 15.**

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 $2.2 million increase in depreciation of property, plant and equipment for the six month period ended June 30, 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 $1.0 million per quarter in 2018.

4. Determination of Fair Values

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

June 30, 2018 Financial Instrument	Fair Value Hierarchy		Carrying Amount		Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	$	4,853	$	4,853
Derivative Financial Instruments	Level 2	$	31,784	$	31,784
Private Placement Debt	Level 2	$	471,239	$	365,270
Debentures – debt component	Level 2	$	2,045	$	1,938

5. Acquisitions

2018 Acquisitions

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 the business and assets of AECOM ISD on its condensed 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 Freight Services Ltd. ("**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. 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, whose financial results are included in the Trucking/Logistics segment.

DWS Logistics Inc. – On February 9, 2018, Mullen Group acquired DWS Logistics Inc. ("**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 may receive cash consideration of up to $1.0 million for achieving certain financial targets for the twelve month period ending December 31, 2018. Mullen Group has 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 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 robust inventory management system. DWS has over 500,000 square feet of warehousing space situated in six 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.

These acquisitions have been accounted for by the acquisition method, and results of operations have been included in these Interim 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.

		2018
Assets:		
Non-cash working capital items	**$**	**1,902**
Property, plant and equipment		**27,034**
Intangible assets		**11,050**
Goodwill (not deductible for tax purposes)		**1,367**
		41,353
Assumed liabilities:		
Long-term debt		**2,126**
Deferred income taxes		**3,006**
		5,132
Net assets before cash and cash equivalents		**36,221**
Cash and cash equivalents		**21**
Net assets		**36,242**
Consideration:		
Cash		**35,092**
Contingent consideration		**1,150**
	$	**36,242**

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

6. Trade and Other Receivables

		June 30 2018		**December 31 2017**
Trade receivables	**$**	**164,235**	$	160,899
Other receivables		**18,994**		14,404
Contract assets		**686**		—
	$	**183,915**	$	175,303

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.

7. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. For the six month period ended June 30, 2018, Mullen Group recorded a net foreign exchange loss (gain) of $8.1 million (2017 – $(11.7) 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)	Six month periods ended June 30			
	CDN. $ Equivalent			
		2018		2017
Foreign exchange loss (gain) on U.S. $ debt	**$**	**14,267**	$	(14,130)
Foreign exchange (gain) loss on Cross-Currency Swaps		**(6,157)**		2,440
Net foreign exchange loss (gain)	**$**	**8,110**	$	(11,690)

For the six month period ended June 30, 2018, Mullen Group recorded a foreign exchange loss (gain) on U.S. dollar debt of $14.3 million (2017 - $(14.1) million) as summarized in the table below:

Foreign Exchange Loss (Gain) on U.S. $ Debt	Six month periods ended June 30					
	2018			2017		
($ thousands, except exchange rate amounts)	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent
Ending – June 30	**229,000**	**1.3168**	**301,548**	314,000	1.2977	407,478
Beginning – January 1	**229,000**	**1.2545**	**287,281**	314,000	1.3427	421,608
Foreign exchange loss (gain) on U.S. $ debt			**14,267**			(14,130)

For the six month period ended June 30, 2018, Mullen Group recorded a foreign exchange (gain) loss on its Cross-Currency Swaps of $(6.2) million (2017 – $2.4 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	Six month periods ended June 30			
	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**	**(3,510)**	117,000	1,416
Cross-Currency Swap maturing October 22, 2026	**112,000**	**(2,647)**	112,000	1,024
Foreign exchange (gain) loss on Cross-Currency Swaps		**(6,157)**		2,440

8. Dividends Payable

For the six month period ended June 30, 2018, Mullen Group declared monthly dividends of $0.05 per Common Share totalling $0.30 per Common Share (2017 – $0.18 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 June 30, 2018, Mullen Group had 104,645,041 Common Shares outstanding and a dividend payable of $5.2 million (December 31, 2017 – $3.1 million), which was paid on July 16, 2018. Mullen Group also declared a dividend of $0.05 per Common Share on July 20, 2018, to the holders of record at the close of business on July 31, 2018.

9. Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued convertible unsecured subordinated debentures ("**Debentures**") at a price of $1,000 per Debenture. The Debentures mature on July 1, 2018 and bear interest at an annual rate of 10.0 percent payable quarterly in arrears on March 31, June 30, September 30, and December 31 in each year. Each $1,000 Debenture is 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. As at the date of issuance, an aggregate of approximately 11.65 million Common Shares of Mullen Group would be issued if all holders converted their principal amount. In addition to the principal amount, as Debentures are converted, any accrued and unpaid interest is also converted into Common Shares of Mullen Group at a conversion price of $10.73. As subordinated debt, the accounting value assigned to the Debentures, including any related interest expense is excluded from Mullen Group's financial covenant calculations on its Private Placement Debt (as hereafter defined on page 69). The Debentures are also subordinated to the Bank Credit Facility (as hereafter defined on page 69).

The equity portion of the Debentures are reclassified to share capital as the Debentures are converted into Common Shares. For the six month period ended June 30, 2018, there were 10,400 Debentures converted into 990,725 Common Shares of Mullen Group. As at June 30, 2018, Mullen Group had 2,045 Debentures outstanding. In July 2018, 500 Debentures were converted into 46,598 Common Shares of the Corporation, while the remaining 1,545 Debentures were repaid with cash.

The details of the Debentures are as follows:

		June 30, 2018		December 31, 2017	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2018	10%	**$ 2,045**	**$ 2,045**	$ 12,445	$ 12,393

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

	Cumulative as at	
	June 30, 2018	**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	**(122,955)**	(112,555)
Accretion on debt	**9,535**	9,483
Carrying amount of Debentures	**$ 2,045**	$ 12,393

10. Income Taxes

The provision for income tax expense differs from the amounts that would be obtained by applying the expected Canadian statutory tax rates enacted or substantively enacted as at the respective reporting dates.

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

	Three month periods ended June 30		Six month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Income before income taxes	**$ 19,554**	$ 22,739	**$ 24,552**	$ 41,472
Combined statutory tax rate	**27%**	27%	**27%**	27%
Expected income tax	**5,279**	6,140	**6,629**	11,197
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange loss (gain)	**263**	(1,265)	**1,095**	(1,578)
Non-deductible (taxable) portion of the change in fair value of investments	**(59)**	23	**146**	(45)
Stock-based compensation expense	**108**	52	**245**	111
Decrease in income tax due to changes in income tax rates	**—**	(444)	**—**	(444)
Unrecognized deferred tax asset	**263**	(1,265)	**1,095**	(1,578)
Other	**(210)**	(110)	**(49)**	(348)
Income tax expense	**$ 5,644**	$ 3,131	**$ 9,161**	$ 7,315

11. Long-Term Debt and Credit Facility

Mullen Group has a $75.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at June 30, 2018, no amounts were drawn on this facility. This facility does not have any financial covenants, however, Mullen Group 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 $4.8 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

Mullen Group's long-term debt is mainly comprised of a series of unsecured debt (collectively, the "**Private Placement Debt**"), the details of which are set forth below:

Notes		Principal amount	Maturity	Interest Rate[1]
Series G	$	117,000 U.S.	October 22, 2024	3.84%
Series H	$	112,000 U.S.	October 22, 2026	3.94%
Series I	$	30,000 CDN.	October 22, 2024	3.88%
Series J	$	3,000 CDN.	October 22, 2026	4.00%
Series K	$	58,000 CDN.	October 22, 2024	3.95%
Series L	$	80,000 CDN.	October 22, 2026	4.07%

[1] Interest is payable semi-annually.

Mullen Group's unamortized debt issuance costs of $1.3 million related to its Private Placement Debt have been netted against its carrying value at June 30, 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 debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio. Mullen Group's total debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total debt**" means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and Letters of Credit, excluding the Debentures. 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. On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms (the "**Amending Agreement**"), that included both temporary and permanent amendments. On a temporary basis, the Amending Agreement replaced the financial covenant term total debt with total net debt for financial covenant calculation purposes for a period up to and including March 31, 2018 (the "**Covenant Relief Period**"). During the Covenant Relief Period, total net debt was defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and 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. After the Covenant Relief Period, the definition of total debt has been amended on a permanent basis and replaced with total net debt, which is defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same. 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 also had debt comprised of various financing loans, which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

The following table summarizes the Corporation's total debt:

		June 30, 2018		December 31, 2017
Current liabilities:				
Private Placement Debt	**$**	**—**	$	70,000
Various Financing Loans		**58**		781
Bank Credit Facility		**—**		—
		58		70,781
Non-current liabilities:				
Private Placement Debt		**471,239**		456,799
Various Financing Loans		**—**		—
		471,239		456,799
	$	**471,297**	$	527,580

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

			June 30, 2018		December 31, 2017	
	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	$	$	$
Bank Credit Facility	—	Variable	—	—	—	—
Private Placement Debt	2024 – 2026	3.84% – 4.07%	**472,547**	**471,239**	528,281	526,799
Various Financing Loans	2018	6.50%	**58**	**58**	781	781
			472,605	**471,297**	529,062	527,580

12. Share Capital

The authorized share capital of Mullen Group consists of an unlimited number of no par value Common Shares and an unlimited number of Preferred Shares, issuable in series.

The number of, and the specific rights, privileges, restrictions and conditions attaching to any series of Preferred Shares shall be determined by the Board of Directors (the "**Board**") of Mullen Group prior to the creation and issuance thereof. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of Mullen Group, whether voluntarily or involuntarily, the Preferred Shares are entitled to preference over the Common Shares and any other shares ranking junior to the Preferred Shares from time to time and may also be given such other preferences over the Common Shares and any other shares ranking junior to the Preferred Shares as may be determined at the time of creation of such series. As at the date hereof, no series of Preferred Shares had been created.

All of the issued Common Shares of Mullen Group have been paid in full.

		# of Common Shares	
	Note	2018	2017
Issued Common Shares at January 1		**103,654,316**	103,654,316
Common Shares issued on conversion of Debentures	**9**	**990,725**	—
Issued Common Shares at June 30		**104,645,041**	103,654,316

13. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three and six month periods ended June 30, 2018, were $13.9 million and $15.4 million (2017 – $19.6 million and $34.1 million), respectively. The weighted average number of Common Shares outstanding for the three and six month periods ended June 30, 2018 and 2017 was calculated as follows:

		Three month periods ended June 30		Six month periods ended June 30	
	Note	2018	2017	2018	2017
Issued Common Shares at beginning of period	**12**	**103,654,316**	103,654,316	**103,654,316**	103,654,316
Effect of Debentures converted		**120,483**	—	**60,575**	—
Weighted average number of Common Shares at end of period – basic		**103,774,799**	103,654,316	**103,714,891**	103,654,316

(b) Diluted Earnings per Share

Diluted earnings per share is calculated by adjusting net income attributable to common shareholders and the basic weighted average number of Common Shares outstanding by the effects of all potentially dilutive transactions to existing common shareholders. In calculating diluted earnings per share, net income was adjusted as follows:

	Three month periods ended June 30		Six month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Net income	**$ 13,910**	$ 19,608	**$ 15,391**	$ 34,157
Effect on finance costs from conversion of Debentures (net of tax)	**26**	—	**26**	—
Net income – adjusted	**$ 13,936**	$ 19,608	**$ 15,417**	$ 34,157

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

	Three month periods ended June 30		Six month periods ended June 30	
	2018	**2017**	**2018**	**2017**
Weighted average number of Common Shares – basic	**103,774,799**	103,654,316	**103,714,891**	103,654,316
Effect of "in the money" stock options	**—**	—	**—**	2,398
Effect of conversion of Debentures	**870,242**	—	**930,150**	—
Weighted average number of Common Shares at end of period – diluted	**104,645,041**	103,654,316	**104,645,041**	103,656,714

For the three and six month periods ended June 30, 2018, all 3,487,500 and 3,397,500 stock options outstanding were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive, respectively. For the three and six month periods ended June 30, 2017, 1,159,874 and 1,960,000 stock options were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive, respectively. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended June 30, 2018 and 2017. For all the periods listed above, the Common Shares that would be issued upon conversion of the Debentures were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive.

14. Seasonality of Operations

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

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

15. Revenue

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 June 30, 2018, the Trucking/Logistics segment consisted of 15 Business Units, offering a diversified range of truckload and less-than-truckload ("**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.

At June 30, 2018, the Oilfield Services segment consisted of 16 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:

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

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

16. Other (Income) Expense

	Three month periods ended June 30		Six month periods ended June 30	
	2018	2017	2018	2017
Change in fair value of investments	$ (430)	$ 177	$ 1,085	$ 1,225
(Gain) loss on sale of property, plant and equipment	(1,089)	243	(793)	303
Gain on fair value of equity investment	—	—	—	(1,555)
Earnings from equity investments	(1,590)	(836)	(2,001)	(1,300)
Accretion on asset retirement obligations	4	4	7	5
Other (income) expense	$ (3,105)	$ (412)	$ (1,702)	$ (1,322)

17. Changes in non-cash working capital items from operating activities

	Six month periods ended June 30	
	2018	**2017**
Trade and other receivables	**$ (4,065)**	$ (19,050)
Inventory	**(911)**	(1,035)
Prepaid expenses	**(6,341)**	(7,677)
Accounts payable and accrued liabilities	**(941)**	2,055
	$ (12,258)	$ (25,707)

18. Operating Segments

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

				Intersegment eliminations		
Three month period ended June 30, 2018	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**219,380**	**76,726**	**1,829**	**(1,947)**	**(306)**	**295,682**
Income (loss) before income taxes	**20,103**	**(308)**	**(241)**	**—**	**—**	**19,554**
Depreciation and impairment of property, plant and equipment	**5,620**	**9,845**	**1,572**	**—**	**—**	**17,037**
Amortization of intangible assets	**2,943**	**710**	**—**	**—**	**—**	**3,653**
Capital expenditures[1]	**16,052**	**2,368**	**582**	**—**	**(85)**	**18,917**
Total assets at June 30, 2018	**567,035**	**564,166**	**553,087**	**—**	**—**	**1,684,288**

[1] *Excludes business acquisitions*

				Intersegment eliminations		
Three month period ended June 30, 2017	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	$	$	$	$	$
Revenue	183,255	90,849	990	(1,119)	(319)	273,656
Income before income taxes	15,075	3,831	3,833	—	—	22,739
Depreciation and impairment of property, plant and equipment	5,159	9,953	1,492	—	—	16,604
Amortization of intangible assets	1,746	948	—	—	—	2,694
Capital expenditures[1]	3,446	2,034	—	—	(6)	5,474
Total assets at December 31, 2017	526,663	565,957	658,037	—	—	1,750,657

[1] *Excludes business acquisitions*

Six month period ended June 30, 2018	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations Trucking/ Logistics	Intersegment eliminations Oilfield Services	Total
	$	$	$	$	$	$
Revenue	**426,878**	**161,315**	**3,377**	**(3,079)**	**(678)**	**587,813**
Income (loss) before income taxes	**33,062**	**(859)**	**(7,651)**	**—**	**—**	**24,552**
Depreciation and impairment of property, plant and equipment	**10,891**	**19,408**	**3,115**	**—**	**—**	**33,414**
Amortization of intangible assets	**5,744**	**1,420**	**—**	**—**	**—**	**7,164**
Capital expenditures[1]	**24,650**	**6,828**	**626**	**(39)**	**(1,352)**	**30,713**
Total assets at June 30, 2018	**567,035**	**564,166**	**553,087**	**—**	**—**	**1,684,288**

[1] Excludes business acquisitions

Six month period ended June 30, 2017	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations Trucking/ Logistics	Intersegment eliminations Oilfield Services	Total
	$	$	$	$	$	$
Revenue	364,140	195,441	1,930	(2,433)	(534)	558,544
Income before income taxes	25,397	11,981	4,094	—	—	41,472
Depreciation and impairment of property, plant and equipment	10,205	19,492	2,983	—	—	32,680
Amortization of intangible assets	3,445	1,762	—	—	—	5,207
Capital expenditures[1]	8,000	2,826	17	(122)	(1,001)	9,720
Total assets at December 31, 2017	526,663	565,957	658,037	—	—	1,750,657

[1] Excludes business acquisitions

Performance is measured based on segment income before income tax, as included in the internal management reports that are reviewed by Mullen Group's CEO and President. Segment income is used to measure performance as management believes that such information is the most relevant in evaluating the results of segments relative to other entities that operate within these industries.

19. Subsequent Event

Canadian Hydrovac Ltd. – On July 1, 2018, Mullen Group acquired all of the issued and outstanding shares of Canadian Hydrovac Ltd. ("**Canadian Hydrovac**") for total consideration of $12.5 million consisting of $10.5 million of cash consideration and $2.0 million of Common Shares of the Corporation by issuing 133,334 Common Shares. 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 will be included in the Oilfield Services segment. Due to the limited time between the acquisition of Canadian Hydrovac and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed on the acquisition were not available to management as of the date of this report.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

Murray K. Mullen
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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

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