Mullen Group Ltd.

ANNUAL FINANCIAL REVIEW

2022

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

This MD&A, dated February 8, 2023, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the fiscal year ended December 31, 2022, and should be read in conjunction with the audited annual consolidated financial statements for the fiscal year ended December 31, 2022 (the "**Annual Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information on Mullen Group, including the Annual Information Form dated February 8, 2023, are available on the Corporation's issuer profile on SEDAR at www.sedar.com and on our website at www.mullen-group.com. Such documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Annual Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on February 8, 2023.

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

ADVISORY:

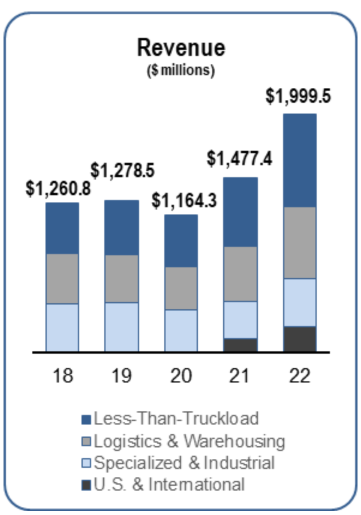
***Forward-looking statements** – This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are: (i) strategic risks which include but are not limited to geopolitical risks such as a slowdown in the general economy; reduced oil and natural gas drilling and decreased oil sands and heavy oil activity; changes in legal frameworks applicable to the Corporation; e-commerce and supply chain evolution; acquisitions; competition; (ii) financial risks which include but are not limited to prevailing interest rates; foreign exchange rates; change in the return on fair value of investments; access to financing; reliance on major customers; customer relationships; impairment of goodwill or intangible assets; credit risk; and (iii) operational risks which include but are not limited to employees & labour relations; labour disruption and driver retention; cost escalation & fuel costs; accidents; cost of liability insurance; digital infrastructure & cyber security; business continuity, disaster recovery & crisis management; environmental liability risks; weather & seasonality; access to parts, development of new technology & relationships with key suppliers; pandemics; political unrest or wars; regulatory framework governing matters such as tax and the environment in the jurisdictions in which the Corporation conducts and will conduct its business; government mandates and litigation. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 48 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the Corporation's issuer profile on SEDAR 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 65 of this MD&A.*

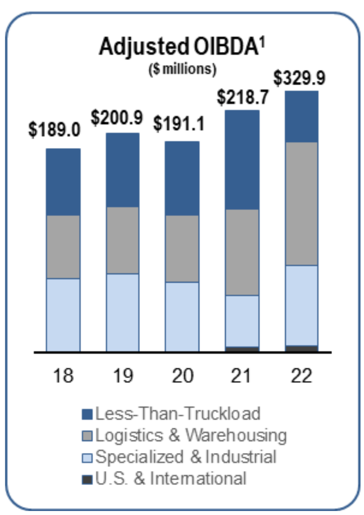
***Non-IFRS Financial Measures and Other Financial Measures** – Mullen Group reports on certain non-IFRS financial measures and ratios, which do not have a standard meaning under IFRS and, therefore, may not be comparable to similar measures presented by other issuers. Management uses these non-IFRS financial measures and ratios in its evaluation of performance and believes these are useful supplementary measures. We provide shareholders and potential investors with certain non-IFRS financial measures and ratios to evaluate our ability to fund our operations and provide information regarding liquidity. Specifically, adjusted OIBDA[1], adjusted operating margin[1], net income – adjusted[1], earnings per share – adjusted[1], net revenue[1] and consolidated direct operating expenses – adjusted for CEWS and HAUListic LLC[1] are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. For the reader's reference, the definition, calculation and reconciliation of non-IFRS financial measures are provided in the "Non-IFRS Financial Measures" section of this MD&A. These non-IFRS financial measures should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Investors are cautioned that these indicators should not replace the forgoing IFRS terms: net income, earnings per share, revenue, and direct operating expenses. See the "Other Financial Measures" section for supplementary financial measures disclosed by the Corporation.*

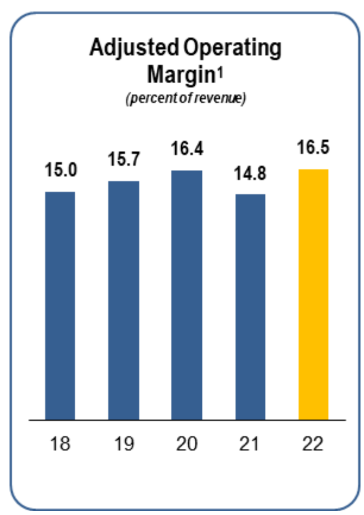
[1] Refer to the section entitled "Non-IFRS Financial Measures".

HIGHLIGHTS

FINANCIAL PERFORMANCE:	Years ended December 31					
($ millions, except share price and per share amounts)		2022		2021		2020
Revenue						
Less-Than-Truckload	**$**	**778.7**	$	585.3	$	443.8
Logistics & Warehousing		**609.3**		465.6		362.0
Specialized & Industrial Services		**400.6**		313.4		362.0
U.S. & International Logistics		**221.8**		118.2		—
Corporate and intersegment eliminations		**(10.9)**		(5.1)		(3.5)
Total Revenue	**$**	**1,999.5**	**$**	**1,477.4**	**$**	**1,164.3**
Adjusted OIBDA[1]						
Less-Than-Truckload	**$**	**138.4**	$	93.9	$	70.3
Logistics & Warehousing		**119.1**		83.4		65.5
Specialized & Industrial Services		**77.5**		49.4		66.7
U.S. & International Logistics		**5.7**		4.9		—
Corporate		**(10.8)**		(12.9)		(11.4)
Total Adjusted OIBDA[1]	**$**	**329.9**	**$**	**218.7**	**$**	**191.1**
Net Income & Share Information						
Net income	**$**	**158.6**	$	72.4	$	64.0
Earnings per share – basic	**$**	**1.70**	$	0.75	$	0.64
Earnings per share – diluted	**$**	**1.62**	$	0.75	$	0.64
Net income – adjusted[1]	**$**	**164.2**	$	70.4	$	62.4
Earnings per share – adjusted[1]	**$**	**1.76**	$	0.73	$	0.62
Net cash from operating activities	**$**	**263.0**	$	198.0	$	224.8
Net cash from operating activities per share	**$**	**2.82**	$	2.06	$	2.23
Cash dividends declared per Common Share	**$**	**0.68**	$	0.48	$	0.33
Share price – December 31	**$**	**14.55**	$	11.63	$	10.90







[1] Refer to the section entitled "Non-IFRS Financial Measures".

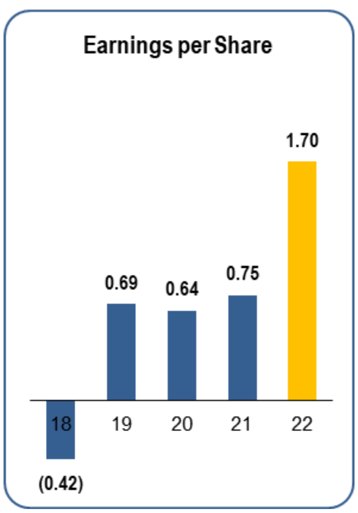
FINANCIAL POSITION:

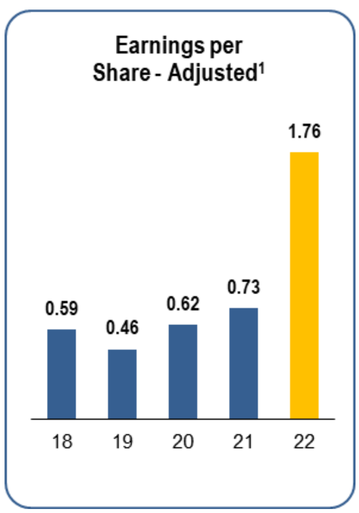
(unaudited) *($ millions)*	As at December 31 2022 $	2021 $	2020 $
Cash (bank indebtedness) – net	**(14.0)**	(89.0)	105.3
Working capital	**140.3**	50.8	239.1
Private Placement Debt	**480.7**	460.7	461.7
Convertible debentures – debt component	**115.8**	113.5	111.1
Lease liabilities – non-current portion	**70.9**	63.4	23.6
Total assets	**1,996.1**	1,922.0	1,717.9

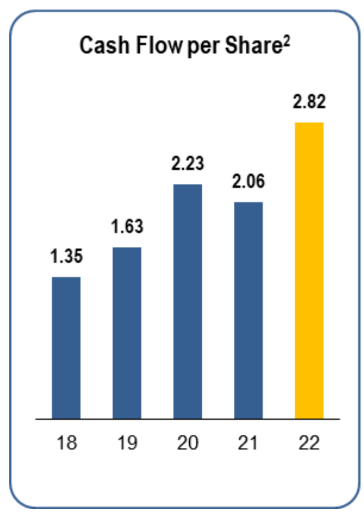
- Well-structured balance sheet
  - Private Placement Debt of $480.7 million (average fixed rate of 3.93 percent per annum) with principal repayments (net of Cross-Currency Swaps) of $217.2 million and $207.9 million due in October 2024 and October 2026, respectively
  - Private Placement Debt covenant of 1.67:1 (threshold 3.50:1)
- Real estate – historical cost of $637.4 million
- Reduced borrowings on our $250.0 million of Credit Facilities by $66.2 million to $22.8 million

2022 PROGRESS:

- Generated record revenue, OIBDA, net income and earnings per share.
- Return on equity improved to 17.0 percent in 2022.
- Increased the monthly dividend in the second quarter by 20.0 percent to $0.06 per Common Share ($0.72 annualized).
- Divested of a non-core asset and business for total proceeds of $49.1 million.
- Invested $81.4 million towards gross capital expenditures to improve operating efficiencies and to support our sustainability goals.
- Continued to invest in real estate to meet future growth plans, including: an expansion of a facility in Thunder Bay, Ontario; a new 33,000 square foot terminal in Kamloops, British Columbia; additional rail trackage at the Calgary, Alberta transload and distribution facility; and took possession of a 26,000 square foot cross dock facility in Mississauga, Ontario.
- Completed three acquisitions including Willy's Trucking Service; Cordova Oilfield Services Ltd.; and the assets and business of Monarch Messenger Services Ltd.
- Repurchased and cancelled 1,863,251 Common Shares at an average price of $12.30.







[1] Refer to the section entitled "Non-IFRS Financial Measures".

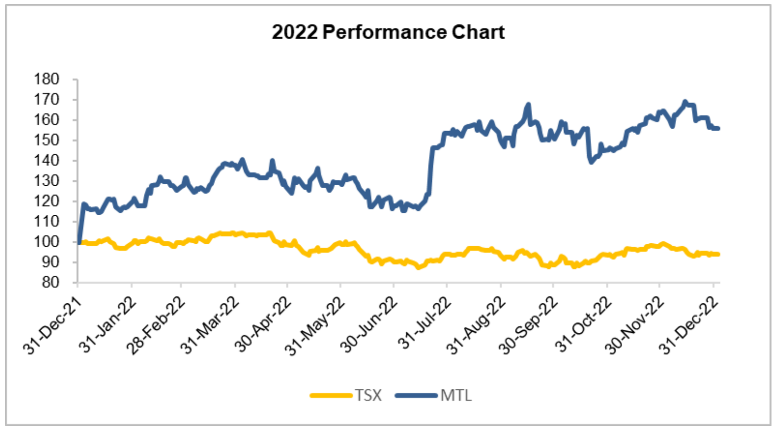
[2] Refer to the section entitled "Other Financial Measures".

SHAREHOLDER INFORMATION

Share Performance

Mullen Group's shares are listed on the Toronto Stock Exchange ("**TSX**") under the trading symbol MTL. The following graph illustrates the cumulative return of our Common Shares for 2022, assuming an initial investment of $100 on December 31, 2021, compared to the S&P /TSX Composite Total Return Index, assuming the reinvestment of all declared dividends.

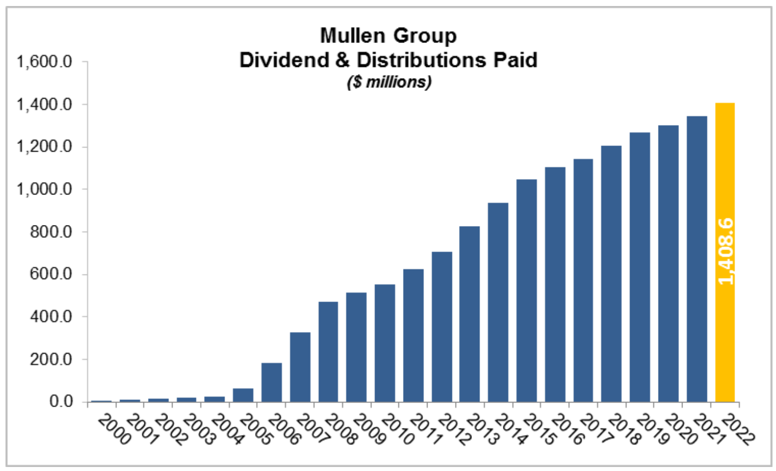
56.0 percent cumulative return in 2022



Dividends and Distributions Paid

Mullen Group generates substantial free cash in excess of our operating needs allowing us to return cash to shareholders through monthly dividends. The following chart summarizes our dividends and distributions paid to shareholders over the past twenty years.

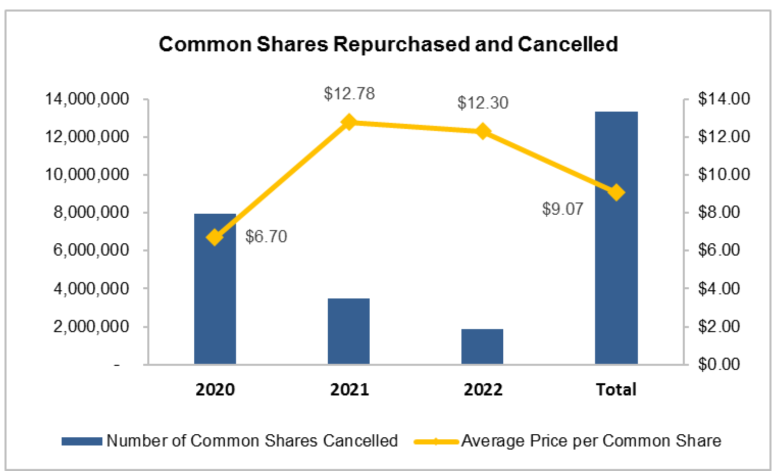
$1.4 billion paid over 20 years



Share Buyback Program

Mullen Group believes that the underlying value of the Corporation may not be reflected in the current market prices of its Common Shares and may represent an attractive investment and benefit investors that hold an equity interest in the Corporation. The following chart summarizes the repurchases and cancelling of Common Shares over the past three years.

13,306,046 Common Shares cancelled at an average price of $9.07 over 3 years



MULLEN GROUP AT A GLANCE

Corporate Profile

WE ACQUIRE COMPANIES AND STRIVE TO IMPROVE THEIR PERFORMANCE

Mullen Group, is one of Canada's largest logistics companies, providing a wide range of transportation, warehousing and distribution services throughout North America. Over the past three decades we have grown the business by focusing on operational excellence and being the preferred acquirer for business owners seeking a liquidity event, targeting profitable, well managed companies with strong brands operating in sectors of the economy we view as having the best opportunity for growth.

We operate a decentralized business model through a number of wholly-owned companies and limited partnerships ("**Business Units**"). Each Business Unit is responsible for the financial and safety performance of the business. Financial oversight, capital, strategic planning and a wide range of shared services, such as legal support, human resource planning, payroll expertise and technology, are the responsibility of the corporate office ("**Corporate Office**"). We believe this model is the best way to achieve superior profitability, excellence in safety and provide a quality work environment for all employees.

Objective – Maximize Shareholder Value

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

1. Focused Growth

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

- Deploy capital to expand business over the long-term.
- Invest in sectors of the economy where we believe future growth opportunities exist.
- Invest in accretive acquisitions – acquire competing, complementary or new business lines that can accelerate growth over the long-term.
- Diversify – continue to grow and invest where opportunities exist in the four sectors of the economy where we have strong market penetration and customer relationships: the Less-Than-Truckload segment ("**LTL segment**") through our final mile delivery network; the Logistics & Warehousing segment ("**L&W segment**"), including a wide range of trucking and logistics services; the Specialized & Industrial Services segment ("**S&I segment**"), providing specialized equipment and services to several different industries; and the U.S. & International Logistics segment ("**US 3PL segment**"), where we utilize a proprietary technology, SilverExpress™, and provide third-party logistics ("**3PL**") services to a wide range of customers.

Since going public in 1993, Mullen Group, and its predecessors the Mullen Group Income Fund and Mullen Transportation Inc., have grown annual revenues from $72.6 million in 1993 to $2.0 billion in 2022. During this period over 80 acquisitions have been completed.

2. Return Free Cash to Shareholders

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

During 2022 we declared dividends of $0.68 per Common Share (2021 – $0.48). In the second quarter of 2022, we increased the monthly dividend by 20.0 percent to $0.06 per Common Share ($0.72 annualized dividend) and in January 2023, we announced our intention to continue paying annual dividends of $0.72 per Common Share ($0.06 per Common Share on a monthly basis) for 2023.

3. Maintain a Well-Structured Balance Sheet

We strive to maintain a balance sheet structured in such a manner to ensure that sufficient liquidity is maintained to allow us to meet our liabilities and corporate objectives under both normal and stressed conditions. In terms of liabilities, we maintain sufficient liquidity to not only meet our obligations when due, but to avoid incurring unacceptable losses or risking damage to our reputation. Furthermore, we have balanced our equity with a reasonable proportionate use of structured long-term debt. Most notably, we use Private Placement Debt (as hereafter defined on page 15), which matures in 2024 and 2026 and has a 3.5 times total net debt[1] to operating cash flow (as hereafter defined on page 39) covenant. For more information refer to the *Debt and Contractual Obligations* section beginning on page 39.

[1] Refer to the section entitled "Other Financial Measures".

4. **Strive for Operational Excellence**

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

5. **Operate a Decentralized Business Model**

   We operate a decentralized business model that is non-hierarchical in nature. Each Business Unit is held accountable for its own performance and results. The management and employees of the Business Units are remunerated based upon the performance of their respective business. Corporate Office provides overall support to the Business Units by coordinating business strategies, monitoring financial and business performance and providing shared services on an as-needed basis. In addition, the Corporate Office has invested significantly in real estate holdings and operating facilities, mainly for use by the Business Units. The carrying costs of such holdings at December 31, 2022, was $637.4 million (2021 – $630.7 million).

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

Corporate Office

The Corporate Office is responsible for capital allocation along with all regulatory filings and public reporting requirements. In addition, we own a large portfolio of real estate, primarily operating facilities used in the business. These facilities are generally held in MT Investments Inc. ("**MT**"), a subsidiary of the Corporation, and leased to the Business Units on commercial terms. Minority investments in either public corporations and private companies are held in the Corporate Office.

Human Resources

As at December 31, 2022, approximately 7,100 people were employed or engaged by the Business Units and at Corporate Office. These people include owner operators and dedicated subcontractors engaged by the Business Units. This compares to approximately 7,000 people in 2021. The increase is mainly due to the acquisitions of Willy's Trucking Service in the LTL segment and Cordova Oilfield Services Ltd. in the S&I segment in 2022. The US 3PL segment added some IT employees in 2022, while employment levels within the L&W segment and the Corporate Office remained largely consistent on a year over year basis.

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OPERATING SEGMENTS

Our diversified portfolio of logistics companies are involved in different sectors of the economy, a strategy we believe offers the best opportunity for long-term growth. The business is reported in four operating segments, each differentiated by the type of service provided, equipment requirements or geographic location. The segments are aligned with how financial information is reviewed, capital is allocated and operating performance is measured.

Less-Than-Truckload

The LTL segment is comprised of 11 regionally based Business Units focused on providing less-than-truckload ("**LTL**") shipments to over 5,000 communities throughout central and western Canada. Our extensive terminal network is generally regarded as one of the largest LTL networks in Canada, serving local and regional markets with a first and final mile service.

The Business Units utilize advanced technologies to track shipments providing visibility to customers, bar coding and connected dock to enhance service capabilities, and to coordinate the pickup, handling and delivery of small packages, parcels and pallets of all types of freight, including consumer products, goods requiring specialty ambient or temperature-controlled handling as well as general shipments.

LTL Segment:

		Number of Units		
Business Unit	**Primary Service Region**	**Power Units**	**Trailers**	**Other***
APPS Cargo Terminals Inc.[1]	Western Canada	105	49	49
APPS Cartage Inc.[1]	Ontario	133	392	264
Argus Carriers Ltd.	Lower Mainland British Columbia	71	56	20
DirectIT Group of Companies[2]	Alberta	13	—	104
Gardewine Group Limited Partnership[3]	Manitoba and Ontario	1,035	1,896	461
Grimshaw Trucking L.P.	Northern Alberta	125	331	52
Hi-Way 9 Express Ltd.	Southern Alberta	282	590	52
Jay's Transportation Group Ltd.	Saskatchewan	204	382	158
Number 8 Freight Ltd.	Lower Mainland British Columbia	38	—	14
Pacific Coast Express Limited	Western Canada	45	77	17
Willy's Trucking Service[4]	Northern Alberta and Northeastern British Columbia	55	123	25

* *Other includes operating equipment such as: pick-ups, warehousing and yard equipment.*
1 *Acquired June 24, 2021.*
2 *Acquired October 1, 2021.*
3 *On January 1, 2022, the operations of Courtesy Freight Systems Ltd. and R.S. Harris Transport Ltd., were integrated into Gardewine Group Limited Partnership.*
4 *Acquired May 1, 2022.*

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Logistics & Warehousing

We own a large network of Business Units providing shippers throughout North America with a wide range of trucking, warehousing and logistics services, utilizing company owned equipment and an extensive network of contractors.

Our L&W segment Business Units services include, full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed to handle intermodal containers and bulk shipments. Operations and customer service are supported by a robust suite of leading-edge technology solutions including transportation management systems, inventory management systems and warehouse management systems that are customizable and integrated into our customers operating systems.

L&W Segment:

		Number of Units		
Business Unit	**Primary Service Provided**	**Power Units**	**Trailers**	**Other***
24/7 The Storehouse (2015) Ltd.	Value-Added Warehousing and Distribution Services	—	—	24
Bandstra Transportation Systems Ltd.[1]	LTL, Irregular Route Truckload and Specialized Transportation	172	349	75
Caneda Transport Ltd.	LTL & Irregular Route Truckload	66	96	41
Cascade Carriers L.P.	Dry Bulk Freight	88	364	12
DWS Logistics Inc.	Value-Added Warehousing and Distribution Services	—	—	60
International Warehousing & Distribution Inc.	Value-Added Warehousing, Drayage and Distribution Services	69	74	3
Kleysen Group Ltd.	Irregular Route Truckload, Multi-Modal and Intermodal	241	924	956
Mullen Trucking Corp.[2]	Irregular Route Truckload and Specialized Transportation	93	212	40
Payne Transportation Ltd.	Irregular Route Truckload and Specialized Transportation	122	202	9
RDK Transportation Co. Inc.	Irregular Route Truckload and Specialized Transportation	55	116	5
Tenold Transportation Ltd.[3]	Irregular Route Truckload and Specialized Transportation	89	90	31
Tri Point Intermodal Services Inc.[4]	Intermodal Transportation, Drayage and Storage Services	51	133	4

* *Other includes operating equipment such as: pick-ups, rail cars, containers, warehousing and yard equipment.*
[1] *Acquired April 16, 2021.*
[2] *On January 1, 2022, the operations of Canadian Hydrovac Ltd. were integrated into Mullen Trucking Corp.*
[3] *On January 1, 2022, the operations of Inter-Urban Delivery Service Ltd. were integrated into Tenold Transportation Ltd.*
[4] *Acquired on June 1, 2021.*

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Specialized & Industrial Services

We own unique businesses in sectors of the Canadian economy that require specialized equipment and services including the natural resources, energy, infrastructure and construction sectors.

Our S&I segment Business Units provide a wide range of service offerings including, water management, environmental reclamation services, turnaround services & industrial maintenance, services that support the drilling of wells, well servicing and fluid hauling associated with the oil and gas industry in western Canada, along with transportation and logistics services for complex pipeline and industrial projects. Our Business Units are strategically situated throughout western Canada and operate fleets of highly specialized equipment, generating superior returns on capital employed over the long term.

S&I Segment:

		Number of Units		
Business Unit	**Primary Service Provided**	**Power Units**	**Trailers**	**Other***
Babine Truck & Equipment Ltd.[1]	Original Equipment Manufacturer Parts and Services Dealer	2	—	9
Canadian Dewatering L.P.	Water Management Services	2	43	1,834
Cascade Energy Services L.P.	Production Services, Turnaround and Industrial Cleaning Services	271	432	92
Cordova Oilfield Services Ltd.[2]	Drill Pipe / Fluid Transportation and Warehousing	30	33	12
E-Can Oilfield Services L.P.	Fluid Transportation	134	100	35
Envolve Energy Services Corp.	Processing and Disposal of Oilfield Fluids	—	—	3
Formula Powell L.P.	Mud / Fluid Transportation & Warehousing	20	183	70
Heavy Crude Hauling L.P.[3]	Fluid Transportation	130	296	25
Mullen Oilfield Services L.P.	Rig Relocation Services / Drill Pipe Transportation and Warehousing	141	297	56
OK Drilling Services L.P.	Conductor Pipe Setting	8	12	23
Premay Equipment L.P.	Specialized Heavy Haul	30	317	39
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation	75	174	81
Smook Contractors Ltd.	Civil Construction	39	73	98
Spearing Service L.P.	Fluid Transportation	190	497	50
TREO Drilling Services L.P.	Core Drilling	14	91	42

* *Other includes operating equipment such as: pick-ups, mounted dri-prime diesel pumps, submersible pumps, earthmoving equipment, yard equipment and containers.*

[1] *Acquired April 16, 2021.*

[2] *Acquired November 1, 2022.*

[3] *On January 1, 2022, the operations of Recon Utility Search L.P. were integrated into Heavy Crude Hauling L.P.*

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U.S. & International Logistics

The transportation and movement of goods throughout the supply chain is critical to every company and an important component of the global economy representing approximately 10.0 percent of total GDP. 3PL, which is typically defined as providing non-asset based value-added transport services, is one of the fastest growing components of the supply chain. 3PL is a transportation management service, generally performed in conjunction with freight brokerage and requires a software platform to facilitate a seamless and efficient transaction, regardless of the mode of transportation required. In the United States, industry statistics estimate 3PL to be a U.S. $350.0 billion industry.

The US 3PL segment currently consists of one Business Unit, HAUListic LLC ("**HAUListic**"), a Naperville, Illinois based 3PL provider, that offers a wide range of logistics services through a combination of professional representatives and a network of independently owned and managed Station Agents, to over 2,700 customers in the United States and Mexico, utilizing over 6,000 certified sub-contractor carriers. HAUListic owns a proprietary integrated transportation management platform, branded as SilverExpress™, that provides real time information to customers and carriers, offering price and capacity discovery along with tracking and tracing capabilities.

US 3PL Segment:

Business Unit	Primary Service Provided
HAUListic LLC[1]	Third-Party Logistics

[1] Acquired June 30, 2021.

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 8, 2023, and is available on the Corporation's issuer profile 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.

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ALLOCATING SHAREHOLDER CAPITAL

One of the key responsibilities of the Board is the allocation of capital. Our four priorities are: (i) acquisitions that improve our business and generate growth; (ii) capital expenditures to replace older inefficient equipment and to capture new growth opportunities, facilities and technology enhancements; (iii) consider and, if appropriate, allocate a portion of annual free cash to purchase for cancellation Common Shares in the open market pursuant to an approved NCIB (as hereafter defined on page 13); and (iv) pay dividends to shareholders.

Acquisitions

2022 AND 2023 PLAN	Acquire companies and strive to improve their performance.
2022 INVESTMENTS	**Cordova Oilfield Services Ltd. ("Cordova")** • Acquired on November 1, 2022, for total consideration of $8.1 million. • Recognized a $2.8 million gain on fair value upon closing since we owned approximately 34.0 percent of this investment prior to obtaining control. • An oilfield fluid storage and transportation company providing specialized warehousing, inventory management and transportation of oil country tubular goods in the Peace River region of British Columbia. • Financial results included within the S&I segment.
	Willy's Trucking Service ("Willy's") • Acquired on May 1, 2022, and included three owned facilities for total consideration of $18.9 million less $1.1 million of cash acquired. • A regional LTL, general freight and logistics services provider across northern Alberta and northeastern British Columbia. • Financial results included within the LTL segment.
	Monarch Messenger Services Ltd. • On January 1, 2022, acquired the business and assets for total cash consideration of $3.7 million. • Provides courier, small package delivery transportation services as well as ambient temperature controlled freight in Alberta. • Financial results integrated into the DirectIT Group of Companies and Caneda Transport Ltd., which are included within the LTL segment and L&W segment, respectively.

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2021 INVESTMENTS

Bandstra Transportation Systems Ltd. ("Bandstra") / Babine Truck & Equipment Ltd. ("Babine")

- Acquired on April 16, 2021, and included eight owned facilities for total cash consideration of $76.4 million.
- Bandstra provides a wide range of transportation and logistics services in northern British Columbia including truckload, general freight, LTL and specialized hauling services operating a fleet of approximately 180 power units, 360 trailers and 70 pieces of support equipment.
- Babine is an Original Equipment Manufacturer ("**OEM**") parts and service dealer providing parts, service and maintenance work from three locations in British Columbia.
- Bandstra's financial results are included in the L&W segment and Babine's are included within the S&I segment.

Tri Point Intermodal Services Inc. ("Tri Point")

- Acquired on June 1, 2021, for total cash consideration of $8.8 million.
- Mainly provides intermodal transportation, drayage and storage services to and from the Greater Toronto area.
- Financial results included within the L&W segment.

APPS Transport Group Inc.

- Acquired on June 24, 2021, for total consideration of $75.9 million consisting of $66.5 million of cash consideration and 750,000 Common Shares of Mullen Group.
- APPS Cartage Inc. and APPS Cargo Terminals Inc. (collectively "**APPS**") provides LTL, truckload and intermodal along with warehousing services in the Greater Toronto area along with operations in western Canada.
- Financial results included within the LTL segment.

QuadExpress

- Acquired the assets and business of QuadExpress ("**QuadExpress**") on June 30, 2021, for total cash consideration of $49.6 million.
- QuadExpress was rebranded as HAUListic and provides 3PL, logistics, technology, delivery and freight transportation services in the United States and internationally, by utilizing its proprietary transportation management platform known as SilverExpress™, through an expansive agency network.
- Financial results included within the US 3PL segment.

R.S. Harris Transport Ltd. ("Harris")

- Acquired on July 1, 2021, for total cash consideration of $11.4 million.
- Provides a wide range of transportation and logistics services including intermodal, truckload and general freight services.
- Financial results of Harris were integrated into Gardewine Group Limited Partnership, which is included within the LTL segment.

DirectIT Group of Companies ("DirectIT")

- Acquired on October 1, 2021, for total consideration of $14.7 million consisting of $9.4 million of cash consideration, and from issuing 400,000 Common Shares of Mullen Group.
- Pursuant to the purchase and sale agreement, the vendors may receive cash consideration of $1.0 million for achieving certain financial targets over the 12 month period ending December 31, 2022.
- Provides courier and small package delivery transportation services within the Calgary regional district.
- Financial results are included within the LTL segment.

Normal Course Issuer Bid

2022 PLAN	TSX approved the renewal of the normal course issuer bid ("**NCIB**") on March 10, 2022 to purchase for cancellation up to 8,825,623 Common Shares in the open market on or before March 9, 2023.
2022 REPURCHASES	• In 2022 we repurchased and cancelled 1,863,251 Common Shares for $22.9 million, representing an average price of $12.30 per Common Share. • The NCIB can be cancelled at the discretion of the Corporation at any time provided the Corporation is not in a blackout period. • As at February 28, 2022, the average daily trading volume of the Common Shares on the TSX ("**ADTV**") for the most recently completed six calendar months was 294,235. Pursuant to TSX policies, the maximum number of Common Shares that may be purchased in one day pursuant to the NCIB was the greater of 1,000 and 25.0 precent of ADTV, which amounts to 73,558 Common Shares, subject to certain prescribed exceptions. • Entered into an automatic securities purchase plan (the "**ASPP**") with its broker, to allow for the repurchase of Common Shares at all times during the course of the NCIB including when the Corporation ordinarily would not be active in the market due to its own internal trading blackout period, insider trading rules or otherwise. The ASPP can be cancelled at the discretion of the Corporation at any time provided the Corporation is not in a blackout period.
2023 PLAN	In March 2023, we intend on requesting approvals from the TSX to renew the NCIB.

Dividends

2022 PLAN	Set the annual dividend of $0.60 per Common Share, payable in monthly installments of $0.05 per Common Share.
2022 PAYMENTS	• Declared monthly dividends per Common Share totalling $0.68 per Common Share (2021 – $0.48 per Common Share). • At December 31, 2022, we had 92,053,005 Common Shares outstanding and a dividend payable of $5.6 million (December 31, 2021 – $3.8 million), which was paid on January 16, 2023.
2023 PLAN	In January 2023, we announced our intention to pay annual dividends of $0.72 per Common Share ($0.06 per Common Share on a monthly basis) for 2023. On January 24, 2023, the Board declared a monthly dividend of $0.06 per Common Share to be paid on February 15, 2023 to the holders of record at the close of business on January 31, 2023.

Capital Expenditures

2022 PLAN

Allocate $60.0 million towards the replacement of operating equipment and for productivity improvements and $10.0 million towards our sustainability initiatives, including next generation trucks.

2022 PURCHASES

Gross Capital Expenditures

- In 2022 gross capital expenditures were $82.7 million as compared to $69.6 million in 2021, including $1.3 million of equipment transferred between segments as follows:

	Years ended December 31		
($ millions)	**2022**	2021	Change
	$	$	$
LTL	**31.3**	29.0	2.3
L&W	**22.5**	17.5	5.0
S&I	**11.4**	11.0	0.4
US 3PL	**—**	—	—
Corporate	**17.5**	12.1	5.4
Total	**82.7**	69.6	13.1

- Capital invested in the LTL segment mainly consisted of trucks and trailers to support growth opportunities as well as replace some older less efficient equipment.
- Capital invested in the L&W segment mainly consisted of purchasing new trucks, trailers and operating equipment to replace some older less efficient equipment.
- Capital invested in the S&I segment mainly consisted of pumps, generators and water management equipment along with civil construction equipment to support demand at Canadian Dewatering L.P. ("**Canadian Dewatering**") and Smook Contractors Ltd. ("**Smook**"), respectively.
- Achieved our goal of $10.0 million of capital expenditures towards sustainability initiatives through the purchase of CNG powered trucks, intermodal containers to reduce our carbon footprint and the continued transition to electric material handling units, including forklifts and reach units within our LTL and L&W segments.
- MT continued the construction of our 33,000 square foot cross dock facility in Kamloops, British Columbia to support the future expansion of our LTL operations.
- Total cost of real property owned by Mullen Group as at December 31, 2022 is $637.4 million.

Gross Capital Dispositions

- In 2022 gross capital dispositions were $49.9 million as compared to $22.1 million in 2021 as follows:

	Years ended December 31		
($ millions)	**2022**	2021	Change
	$	$	$
LTL	**1.2**	2.0	(0.8)
L&W	**36.0**	2.2	33.8
S&I	**6.5**	8.2	(1.7)
US 3PL	**—**	—	—
Corporate	**6.2**	9.7	(3.5)
Total	**49.9**	22.1	27.8

- The $27.8 million increase in gross capital dispositions was mainly due to an increase in the L&W segment, which resulted from the sale of non-core real property for $32.6 million in Surrey, British Columbia.

2023 PLAN

In January 2023, the Board approved an $85.0 million capital budget for 2023, exclusive of corporate acquisitions, investment in facilities, land and buildings, with $70.0 million allocated towards maintenance capital primarily to invest in trucks, trailers, specialized equipment and technology to improve the operations of the Business Units and $15.0 million to invest specifically towards sustainability initiatives.

DEBT AND THE BALANCE SHEET

Private Placement Debt

Mullen Group's long-term debt is comprised of a series of unsecured debt as follows: U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, CDN. $30.0 million of Series I Notes, CDN. $3.0 million of Series J Notes, CDN. $58.0 million of Series K Notes and CDN. $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**"). The average fixed interest rate on the Private Placement Debt is 3.93 percent. The Private Placement Debt matures in October 2024 and October 2026 consisting of principal repayments net of cross-currency swaps (as hereafter defined on page 20) of $217.2 million and $207.9 million, respectively.

Credit Facilities

On October 1, 2021, we entered into a new credit agreement (the "**CIBC Credit Facility**") with Canadian Imperial Bank of Commerce ("**CIBC**"). The CIBC Credit Facility is a $100.0 million revolving demand credit facility to finance the Corporation's general operating requirements including acquisition transactions. Interest on the CIBC Credit Facility is based on either the Canadian bank prime rate plus 0.50 percent or U.S. bank base rate plus 0.50 percent, in each case payable in arrears or banker's acceptance rates plus an acceptance fee of 1.50 percent payable upon acceptance. The CIBC Credit Facility is unsecured although MT has granted an unlimited guarantee of any indebtedness owing on the CIBC Credit Facility. The CIBC Credit Facility does not have any financial covenants, however, we cannot be in default of our Private Placement Debt and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants.

We also have a loan agreement to borrow up to $150.0 million on an unsecured credit facility with the Royal Bank of Canada (the "**RBC Credit Facility**"). Interest on the RBC 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. This facility does not have any financial covenants, however, we cannot be in default of our Private Placement Debt and we must be in compliance with certain reporting and general covenants. We are in compliance with all of these reporting and general covenants. We amended the terms of our existing RBC Credit Facility on October 1, 2021, to add MT as a guarantor. MT has granted an unlimited guarantee of any indebtedness owing on the RBC Credit Facility. All other material terms of the RBC Credit Facility remain the same.

As at December 31, 2022, there was $22.8 million drawn on the CIBC Credit Facility and the RBC Credit Facility (collectively, the "**Credit Facilities**").

Convertible Debentures

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

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

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

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

($ millions)		December 31, 2022		December 31, 2021	
Year of Maturity	**Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2026	5.75%	**$ 125.0**	**$ 115.8**	$ 125.0	$ 113.5

For more information refer to the *Debt and Contractual Obligations* section beginning on page 39.

2022 CONSOLIDATED FINANCIAL RESULTS

Executive Summary

2022 was an exceptionally good year for Mullen Group, with growth in all four segments of the business. Our 38 Business Units took advantage of favourable market conditions and strong freight demand to generate record financial results. Consolidated revenues grew by 35.3 percent in 2022, with the majority of our Business Units benefitting from robust consumer spending, a surge in freight shipments during 2022 as shippers and retailers ordered excess amounts of inventory in an attempt to mitigate disruptions within the supply chain, significantly higher fuel surcharges associated with the rise in diesel prices, and a full year of revenues from the 2021 acquisitions. Operating profitability also improved, to the highest levels in over a decade, due to the growth in revenues accompanied by pricing increases, providing most Business Units with the opportunity to improve operating margins[1].

The year, however, was not without several challenges. Inflationary pressures and productivity disruptions were major issues throughout the year due to labour and equipment shortages, challenges that ultimately impacted overall profitability. The Business Units did a great job managing the disruptions and cost pressures, mitigating the impact to our business as well as maintaining customer service levels to the highest standards. 2022 was also an active year at the corporate level, acquiring three small competitors as well as disposing of $49.1 million of non-core assets, proceeds that were used to strengthen the balance sheet. We also increased the monthly dividend in May 2022 to $0.06 per Common Share, and we acquired 1.9 million Common Shares via the NCIB. Today, we have the balance sheet and liquidity to pursue additional growth opportunities.

Outlook

Changing market conditions, higher interest rates, and inflation will undoubtedly impact overall consumer activity and freight demand, negatives to our business. As such, we do not expect 2023 to be as good as last year. And while it is difficult to accurately predict the extent of any economic slowdown, early indications suggest that the labour markets remain quite robust, a major factor influencing consumer spending. Under this scenario it is our view that consumers will simply adjust spending trends, but the declines will not be significant. As such, we only expect a slight softening in overall freight demand. In addition, there are positive signs that drilling activity and capital investment in the energy industry will increase year over year, a positive for the S&I segment. For these reasons we remain constructive for 2023, expecting revenues to remain close to last year. Profitability, however, will be negatively impacted if pricing pressures emerge, an outcome we anticipate as higher interest rates take a toll on economic growth. With the changing market dynamics, we expect to be more active on the acquisition front than last year.

Revenue

*Revenue is generated by the Corporation through its Business Units utilizing a combination of company assets that are either owned by the Business Unit or leased ("**Company**"); owner operators who provide trucks and/or trailers and work exclusively for the Business Unit under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "**Contractors**").*

Consolidated

	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%**	$	%	$	%	**$**	**%**	$	%	$	%
Company	**336.5**	**66.9**	288.9	65.4	47.6	16.5	**1,324.4**	**66.2**	1,007.6	68.2	316.8	31.4
Contractors	**164.1**	**32.6**	151.2	34.2	12.9	8.5	**667.2**	**33.4**	462.5	31.3	204.7	44.3
Other	**2.1**	**0.5**	1.8	0.4	0.3	16.7	**7.9**	**0.4**	7.3	0.5	0.6	8.2
Total	**502.7**	**100.0**	441.9	100.0	60.8	13.8	**1,999.5**	**100.0**	1,477.4	100.0	522.1	35.3

- Consolidated revenue grew by $60.8 million, or 13.8 percent, to $502.7 million in the fourth quarter, and by $522.1 million, or 35.3 percent, to $2.0 billion for the year.
- Record revenue in the fourth quarter and 2022 was primarily due to three reasons:
  - general rate increases negotiated early in the year, along with steady demand resulted in a $23.6 million (YTD – $132.1 million) increase in revenue;

[1] Refer to the section entitled "Other Financial Measures".

- increases in fuel surcharge revenue (excluding acquisitions) contributed $28.2 million (YTD – $112.7 million) in revenue to $65.1 million (YTD – $227.1 million) in 2022 due to a 64.9 percent (YTD – 72.5 percent) year over year increase in the price of diesel fuel; and
- incremental revenue from acquisitions of $9.0 million (YTD – $277.3 million).

Direct Operating Expenses

Direct operating expenses ("**DOE**") include two main categories of expenses: direct costs associated with generating Company revenue and costs incurred to hire Contractors, namely owner operators or subcontractors.

Consolidated

	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Company												
Wages and benefits	**73.2**	**21.8**	69.3	23.9	3.9	5.6	**289.9**	**21.9**	250.2	24.8	39.7	15.9
CEWS	**—**	**—**	(3.9)	(1.3)	3.9	(100.0)	**—**	**—**	(13.1)	(1.3)	13.1	(100.0)
Fuel	**34.9**	**10.4**	25.3	8.8	9.6	37.9	**137.3**	**10.4**	87.9	8.7	49.4	56.2
Repairs and maintenance	**37.0**	**11.0**	31.3	10.8	5.7	18.2	**142.8**	**10.8**	117.0	11.6	25.8	22.1
Purchased transportation	**55.3**	**16.4**	50.5	17.5	4.8	9.5	**220.4**	**16.6**	155.5	15.4	64.9	41.7
Operating supplies	**25.0**	**7.4**	21.0	7.3	4.0	19.0	**83.1**	**6.3**	65.1	6.5	18.0	27.6
Other	**8.6**	**2.5**	7.6	2.6	1.0	13.2	**33.5**	**2.5**	29.4	3.0	4.1	13.9
	234.0	**69.5**	201.1	69.6	32.9	16.4	**907.0**	**68.5**	692.0	68.7	215.0	31.1
Contractors	**127.7**	**77.8**	121.9	80.6	5.8	4.8	**520.9**	**78.1**	363.4	78.6	157.5	43.3
Total	**361.7**	**72.0**	323.0	73.1	38.7	12.0	**1,427.9**	**71.4**	1,055.4	71.4	372.5	35.3

**as a percentage of respective Consolidated revenue*

- Company expenses increased in absolute dollar terms in the fourth quarter and in 2022 due to higher Company revenue and inflationary pressures. As a percentage of Company revenue, however, Company expenses remained relatively flat due to customer rate increases that more than offset inflationary costs, most notably fuel associated with the rise in diesel fuel prices. Purchased transportation costs increased as a percentage of Company revenue on a year to date basis, which was mainly associated with our new acquisitions.
- Contractors expense increased in absolute dollar terms in the fourth quarter and in 2022 due to higher Contractors revenue and from the addition of the US 3PL segment, respectively. Contractors expense decreased as a percentage of Contractors revenue in the fourth quarter and in 2022 as compared to the prior year periods mainly due to margin improvement in the L&W segment.
- Consolidated DOE – Adjusted for the Canada Emergency Wage Subsidy ("**CEWS**") and HAUListic[1], improved as a percentage of revenue to 70.0 percent (YTD – 68.9 percent) as compared to 71.2 percent (YTD – 70.7 percent) in 2021.

[1] Refer to the section entitled "Non-IFRS Financial Measures".

Selling and Administrative Expenses

*Selling and administrative ("**S&A**") are expenses incurred to support the operations of Mullen Group and its Business Units.*

Consolidated												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Wages and benefits	**36.1**	**7.2**	33.2	7.5	2.9	8.7	**143.2**	**7.2**	115.7	7.8	27.5	23.8
CEWS	**—**	**—**	(1.3)	(0.3)	1.3	(100.0)	**—**	**—**	(4.6)	(0.3)	4.6	(100.0)
Communications, utilities and general supplies	**17.5**	**3.5**	14.7	3.3	2.8	19.0	**67.4**	**3.4**	51.5	3.5	15.9	30.9
Profit share	**5.8**	**1.2**	3.4	0.8	2.4	70.6	**20.1**	**1.0**	12.2	0.8	7.9	64.8
Foreign exchange	**0.4**	**0.1**	0.1	—	0.3	300.0	**(3.0)**	**(0.2)**	1.1	0.1	(4.1)	(372.7)
Stock-based compensation	**0.1**	—	0.1	—	—	—	**0.7**	**—**	0.4	—	0.3	75.0
Rent and other	**3.5**	**0.6**	2.9	0.7	0.6	20.7	**13.3**	**0.7**	9.3	0.7	4.0	43.0
Total	**63.4**	**12.6**	53.1	12.0	10.3	19.4	**241.7**	**12.1**	185.6	12.6	56.1	30.2

**as a percentage of total Consolidated revenue*

- Acquisitions completed during 2021 and in 2022 accounted for $1.4 million (YTD – $29.5 million) of incremental S&A expenses.
- Other factors that contributed to the increased S&A expenses include higher profit share, inflationary pressures on general supplies and utility costs and the $1.3 million (YTD – $4.6 million) recovery of CEWS in 2021.
- The increases in S&A expenses on a year to date basis was somewhat offset by a $4.1 million positive variance in foreign exchange.

OIBDA

Management relies on 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.

Consolidated												
	Three month periods December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%**	$	%	$	%	**$**	**%**	$	%	$	%
LTL	**31.8**	**41.0**	26.2	39.8	5.6	21.4	**138.4**	**42.0**	95.9	40.6	42.5	44.3
L&W	**30.4**	**39.2**	24.1	36.6	6.3	26.1	**119.1**	**36.1**	86.5	36.6	32.6	37.7
S&I	**19.1**	**24.6**	16.2	24.6	2.9	17.9	**77.5**	**23.5**	62.0	26.2	15.5	25.0
US 3PL	**0.9**	**1.2**	2.0	3.0	(1.1)	(55.0)	**5.7**	**1.7**	4.9	2.1	0.8	16.3
Corporate	**(4.6)**	**(6.0)**	(2.7)	(4.0)	(1.9)	70.4	**(10.8)**	**(3.3)**	(12.9)	(5.5)	2.1	(16.3)
Total	**77.6**	**100.0**	65.8	100.0	11.8	17.9	**329.9**	**100.0**	236.4	100.0	93.5	39.6

- We generated OIBDA of $77.6 million in the fourth quarter, an increase of 17.9 percent, and $329.9 million, or 39.6 percent, for the full year.
- The increases of $11.8 million (YTD – $93.5 million) were mainly due to rate increases, a steady demand for freight services, as well as $1.4 million (YTD – $30.1 million) of incremental OIBDA generated from acquisitions.
- Operating margin[1] increased to 15.4 percent (YTD – 16.5 percent) from 14.9 percent (YTD – 16.0 percent) in 2021 due to rate increases implemented in 2022.
- Adjusted OIBDA[2] was $77.6 million (YTD – $329.9 million) as compared to $60.6 million (YTD – $218.7 million) in 2021. The increase of $17.0 million (YTD – $111.2 million) was mainly due to $15.6 million (YTD – $81.1 million) of growth from existing Business Units and $1.4 million (YTD – $30.1 million) from acquisitions.
- Adjusted operating margin[2] improved to 15.4 percent (YTD – 16.5 percent) from 13.7 percent (YTD – 14.8 percent) in 2021.

[1] Refer to the section entitled "Other Financial Measures".

[2] Refer to the section entitled "Non-IFRS Financial Measures".

Depreciation of Property, Plant and Equipment

Consolidated						
	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
LTL	**5.4**	5.8	(0.4)	**20.6**	18.9	1.7
L&W	**4.1**	3.6	0.5	**15.9**	13.1	2.8
S&I	**6.8**	9.5	(2.7)	**26.5**	34.1	(7.6)
US 3PL	**0.5**	0.4	0.1	**1.9**	0.9	1.0
Corporate	**1.7**	1.6	0.1	**6.2**	6.2	—
Total	**18.5**	20.9	(2.4)	**71.1**	73.2	(2.1)

- Depreciation in the S&I segment decreased in the fourth quarter and in 2022 as compared to the corresponding prior year periods due to the lower amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation.
- The increase in depreciation on a year to date basis in the LTL segment, the L&W segment and the US 3PL segment was mainly due to the timing of acquisitions being completed in 2021 and 2022.
- Depreciation increased in the L&W segment in the fourth quarter of 2022 due to a greater amount of capital expenditures made within this segment.

Depreciation of Right-of-Use Assets

Consolidated						
	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
LTL	**3.6**	3.4	0.2	**13.9**	9.4	4.5
L&W	**2.2**	1.8	0.4	**8.7**	6.6	2.1
S&I	**0.2**	0.4	(0.2)	**0.8**	1.5	(0.7)
US 3PL	**0.2**	0.2	—	**0.8**	0.4	0.4
Corporate	**—**	—	—	**—**	—	—
Total	**6.2**	5.8	0.4	**24.2**	17.9	6.3

- The increase in depreciation of right-of-use assets on a year to date basis in the LTL segment, the L&W segment and the US 3PL segment was mainly due to the timing of acquisitions being completed in 2021 and 2022.
- The decrease in the S&I segment was due to certain right-of-use assets that had expired and were not renewed.

Amortization of Intangible Assets

Intangible assets are normally acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over a five to ten year period being their estimated life from the date of acquisition. Amortization of intangible assets was $3.9 million (YTD – $17.2 million) in 2022 as compared to $3.7 million (YTD – $22.9 million) in 2021. The decrease of $5.7 million on a year to date basis mainly resulted from certain intangible assets becoming fully amortized, which was somewhat offset by the additional amortization recorded on the intangible assets associated with our recent transactions. Amortization of intangible assets remained relatively consistent in the fourth quarter of 2022 as compared to the same period in 2021.

Finance Costs

Finance costs mainly consist of interest expense on financial liabilities, including: the Private Placement Debt; the Debentures; lease liabilities; and borrowings on the Credit Facilities, less any interest income generated from the debentures issued to equity investments and from cash and cash equivalents.

Finance costs were $8.9 million (YTD – $35.0 million) in 2022 as compared to $8.0 million (YTD – $30.4 million) in 2021. The increase of $0.9 million (YTD – $4.6 million) was mainly attributable to a greater amount of interest expense being recorded on the Credit Facilities and from greater lease liabilities by virtue of our recent acquisitions.

Net Foreign Exchange (Gain) Loss

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

A net foreign exchange (gain) loss is experienced even though the principal portion of all our U.S. $229.0 million debt is hedged by our Cross-Currency Swaps. A net foreign exchange (gain) loss occurs due to how our U.S. dollar debt and our Cross-Currency Swaps are valued for accounting purposes. 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, the accounting value should more closely correlate to the value of the U.S. dollar debt.

The details of the net foreign exchange (gain) loss are as follows:

	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
Foreign exchange (gain) loss on U.S. $ debt	**(3.8)**	(1.4)	(2.4)	**19.8**	(1.2)	21.0
Foreign exchange loss (gain) on Cross-Currency Swaps	**1.7**	2.2	(0.5)	**(9.0)**	0.5	(9.5)
Net foreign exchange (gain) loss	**(2.1)**	0.8	(2.9)	**10.8**	(0.7)	11.5

We recorded a foreign exchange (gain) loss of $(3.8) million (YTD – $19.8 million) related to our $229.0 million U.S. dollar debt, due to the change in the value of the Canadian dollar relative to the U.S. dollar during 2022 as compared to a gain of $(1.4) million (YTD – $(1.2) million) in 2021. We recorded a foreign exchange loss (gain) on Cross-Currency Swaps of $1.7 million (YTD – $(9.0) million) in 2022 as compared to a loss of $2.2 million (YTD – $0.5 million) in 2021. This was due to the change over the period in the fair value of these Cross-Currency Swaps.

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, the gain on fair value of equity investment, earnings from equity investments, loss on sale of non-core business and the gain on contingent consideration.

	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
Change in fair value of investments	**(0.4)**	(0.4)	—	**(0.1)**	(1.2)	1.1
(Gain) loss on sale of property, plant & equipment	**(29.8)**	0.1	(29.9)	**(27.9)**	(0.3)	(27.6)
Gain on fair value of equity investment	**(2.8)**	—	(2.8)	**(2.8)**	—	(2.8)
Earnings from equity investments	**(1.5)**	(0.6)	(0.9)	**(8.6)**	(1.6)	(7.0)
Loss on sale of non-core business	**0.1**	—	0.1	**0.1**	—	0.1
Gain on contingent consideration	**—**	—	—	**—**	(0.2)	0.2
Other (income) expense	**(34.4)**	(0.9)	(33.5)	**(39.3)**	(3.3)	(36.0)

- Gain on sale of property, plant and equipment increased to $29.8 million (YTD – $27.9 million) and was mainly due to the sale of non-core real estate in Surrey, British Columbia.
- In the fourth quarter of 2022, we recognized a $2.8 million gain on fair value of an equity investment. We acquired control of Cordova through a series of transactions. On April 17, 2015, we acquired approximately 34.0 percent of the issued and outstanding shares of Cordova for $0.6 million. We acquired all the remaining issued and outstanding shares of Cordova on November 1, 2022, for $4.2 million in cash consideration and from issuing 284,078 Common Shares of Mullen Group to the vendors. The fair value of Cordova was $12.0 million on the date control was obtained resulting in a $2.8 million gain on this equity investment.
- Loss on sale of non-core business was recognized in the fourth quarter of 2022 and consisted of the sale of the Corporation's hydrovac assets and business operating under the former names of Canadian Hydrovac Ltd. and Recon Utility Search L.P.

- Earnings from our equity investments increased to $1.5 million (YTD – $8.6 million) due to Kriska Transportation Group Limited that experienced revenue growth and margin improvement.
- In 2022 the aggregate amount of revenue and OIBDA generated by our equity investments was $388.5 million (2021 – $285.0 million) and $76.7 million (2021 – $45.9 million), respectively. The following table details our equity investments and the date from which we commenced recording earnings from them.

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

Income Taxes

	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
Income before income taxes	**76.6**	27.5	49.1	**210.9**	96.0	114.9
Combined statutory tax rate	**25%**	25%	—	**25%**	25%	—
Expected income tax	**19.2**	6.9	12.3	**52.7**	24.0	28.7
Add (deduct):						
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(0.3)**	0.1	(0.4)	**1.2**	(0.1)	1.3
Non-deductible (taxable) portion of the change in fair value of investments	**(0.3)**	—	(0.3)	**(0.3)**	(0.1)	(0.2)
Stock-based compensation expense	**0.1**	—	0.1	**0.2**	0.1	0.1
Changes in unrecognized deferred tax asset	**(0.3)**	0.1	(0.4)	**1.2**	(1.0)	2.2
Non-taxable portion of capital gain on sale of lands	**(3.4)**	—	(3.4)	**(3.4)**	—	(3.4)
Other	**0.1**	0.2	(0.1)	**0.7**	0.7	—
Income tax expense	**15.1**	7.3	7.8	**52.3**	23.6	28.7

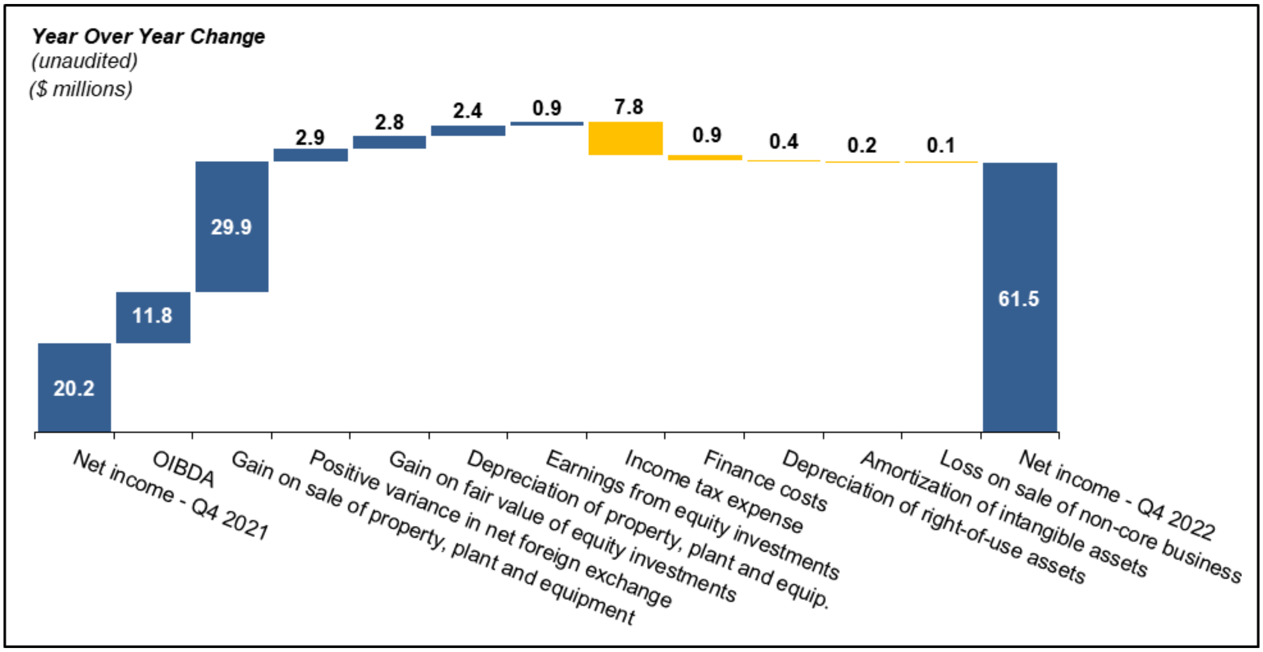
Income tax expense was $15.1 million (YTD – $52.3 million) in 2022 as compared to $7.3 million (YTD – $23.6 million) in 2021. The increase was mainly attributable to greater income generated in 2022 as compared to 2021. This increase was somewhat offset by the non-taxable portion of the capital gain on the sale of lands that was mainly attributable to the disposal of non-core real estate in Surrey, British Columbia in the fourth quarter of 2022.

Net Income

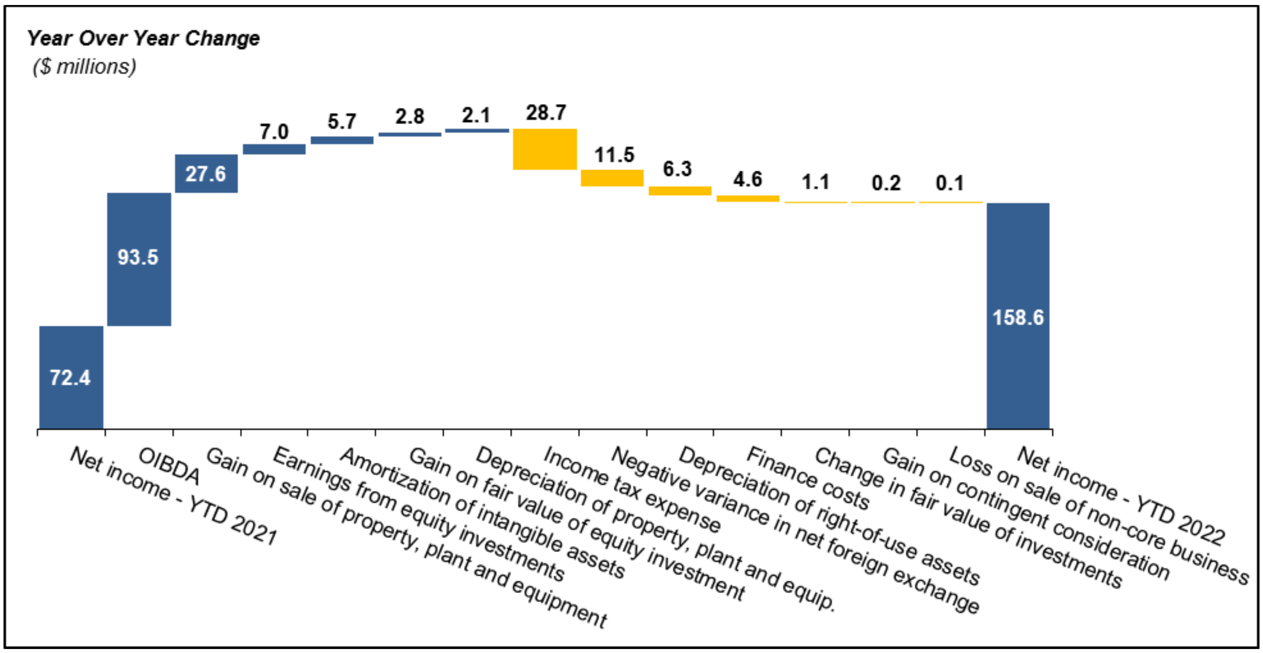
($ millions, except share and per share amounts)	**Three month periods ended December 31**			Years ended December 31		
	2022	2021	% Change	**2022**	2021	% Change
Net income	**$ 61.5**	$ 20.2	204.5	**$ 158.6**	$ 72.4	119.1
Weighted average number of Common Shares outstanding	**92,930,386**	95,364,667	(2.6)	**93,351,897**	96,068,715	(2.8)
Earnings per share – basic	**$ 0.66**	$ 0.21	214.3	**$ 1.70**	$ 0.75	126.7

Net income increased to $61.5 million (YTD – $158.6 million) in 2022 as compared to $20.2 million (YTD – $72.4 million) in 2021. The factors contributing to the increase in net income include:

Three month period ended December 31, 2022



Year ended December 31, 2022



Basic earnings per share increased to $0.66 (YTD – $1.70) in 2022 as compared to $0.21 (YTD – $0.75) in 2021. This increase resulted from the effect of the $41.3 million (YTD – $86.2 million) improvement in net income. The weighted average number of Common Shares outstanding decreased from 95,364,667 (YTD – 96,068,715) to 92,930,386 (YTD – 93,351,897), which was due to the repurchase and cancellation of Common Shares under the NCIB being partially offset by the issuance of 750,000 Common Shares on the acquisition of APPS, 400,000 Common Shares issued on the DirectIT acquisition and 284,078 Common Shares issued on the Cordova acquisition.

Net Income – Adjusted[1] and Earnings per Share – Adjusted[1]

Net income – adjusted[1] and earnings per share – adjusted[1] increased to $53.6 million (YTD – $164.2 million) or $0.58 (YTD – $1.76) in 2022 as compared to $20.9 million (YTD – $70.4 million) or $0.22 (YTD – $0.73) in 2021, respectively. Management adjusts net income and earnings per share by excluding specific factors to more clearly reflect earnings from an operating perspective.

Subsequent Events

Subsequent to December 31, 2022, until the date of this report, we repurchased 93,560 Common Shares at a total cost of $1.3 million.

On January 10, 2023, the Corporation entered into a long-term land lease, whereby it plans to construct a facility to expand its extensive terminal network to coordinate the transportation, handling, and distribution of a wide range of freight. The land lease is scheduled to commence in October 2024. The Corporation paid a $2.0 million deposit in 2023 to the landlord to secure the land lease, which is non-refundable and subject to certain covenants and conditions.

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[1] Refer to the section entitled "Non-IFRS Financial Measures".

2022 SEGMENTED FINANCIAL RESULTS

Three Month Periods Ended

Three month period ended December 31, 2022 *(unaudited)* *($ millions)*	**LTL**	**L&W**	**S&I**	**US 3PL**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**190.8**	**153.8**	**108.0**	**52.6**	**(2.5)**	**502.7**
Direct operating expenses	**133.1**	**106.1**	**78.5**	**48.0**	**(4.0)**	**361.7**
Selling and administrative expenses	**25.9**	**17.3**	**10.4**	**3.7**	**6.1**[1]	**63.4**
OIBDA	**31.8**	**30.4**	**19.1**	**0.9**	**(4.6)**	**77.6**
Net capital expenditures[2]	**14.7**	**(27.3)**	**2.2**	**—**	**6.9**	**(3.5)**

Three month period ended December 31, 2021 *(unaudited)* *($ millions)*	**LTL**	**L&W**	**S&I**	**US 3PL**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$	$	$
Revenue	168.8	131.8	82.0	61.2	(1.9)	441.9
Direct operating expenses	119.1	93.5	57.6	55.8	(3.0)	323.0
Selling and administrative expenses	23.5	14.2	8.2	3.4	3.8[3]	53.1
OIBDA	26.2	24.1	16.2	2.0	(2.7)	65.8
Net capital expenditures[2]	9.9	7.7	—	—	9.7	27.3

[1] *Includes a $0.3 million foreign exchange loss.*
[2] *Refer to the section entitled "Other Financial Measures".*
[3] *Includes a $0.1 million foreign exchange loss.*

Years Ended

Year ended December 31, 2022 *($ millions)*	**LTL**	**L&W**	**S&I**	**US 3PL**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**778.7**	**609.3**	**400.6**	**221.8**	**(10.9)**	**1,999.5**
Direct operating expenses	**536.8**	**422.8**	**283.9**	**202.2**	**(17.8)**	**1,427.9**
Selling and administrative expenses	**103.5**	**67.4**	**39.2**	**13.9**	**17.7**[1]	**241.7**
OIBDA	**138.4**	**119.1**	**77.5**	**5.7**	**(10.8)**	**329.9**
Net capital expenditures[2]	**30.1**	**(13.5)**	**4.9**	**—**	**11.3**	**32.8**

Year ended December 31, 2021 *($ millions)*	**LTL**	**L&W**	**S&I**	**US 3PL**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$	$	$
Revenue	585.3	465.6	313.4	118.2	(5.1)	1,477.4
Direct operating expenses	411.1	327.3	218.6	107.5	(9.1)	1,055.4
Selling and administrative expenses	78.3	51.8	32.8	5.8	16.9[3]	185.6
OIBDA	95.9	86.5	62.0	4.9	(12.9)	236.4
Net capital expenditures[2]	27.0	15.3	2.8	—	2.4	47.5

[1] *Includes a $1.3 million foreign exchange gain.*
[2] *Refer to the section entitled "Other Financial Measures".*
[3] *Includes a $1.4 million foreign exchange loss.*

LESS-THAN-TRUCKLOAD

Highlights for the Quarter

The LTL segment is the largest and most profitable segment in the Mullen Group, currently comprised of 11 Business Units. Over the past several years we have completed a number of acquisitions expanding both service coverage and building lane density, two key reasons for the strong performance. Last year we generated record financial results in the segment due to a strong Canadian economy, that continued to benefit from robust consumer spending and business investment, major factors influencing the demand for freight shipments and higher rates per shipment. The first part of the year was noticeably stronger than the second half as the impact of higher interest rates started to influence overall economic activity as the year progressed. In the fourth quarter overall shipment demand declined from earlier quarters, although we attribute most of the decline to the traditional holiday season and weather-related issues in late December.

Market Outlook

We anticipate freight volumes to moderate in 2023 as central bank authorities continue to pursue a policy of higher interest rates and consumer spending is impacted by inflationary pressures. Within this macro environment our strategy shifts to controlling costs and improving productivity, initiatives we believe will allow our Business Units to maintain margins consistent with 2022. Acquisitions in this segment remain a strategic focus and priority, as we continue to look to add scale.

Revenue

LTL												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%**	$	%	$	%	**$**	**%**	$	%	$	%
Company	**177.8**	**93.2**	155.0	91.8	22.8	14.7	**718.7**	**92.3**	539.0	92.1	179.7	33.3
Contractors	**12.7**	**6.7**	13.2	7.8	(0.5)	(3.8)	**59.1**	**7.6**	44.9	7.7	14.2	31.6
Other	**0.3**	**0.1**	0.6	0.4	(0.3)	(50.0)	**0.9**	**0.1**	1.4	0.2	(0.5)	(35.7)
Total	**190.8**	**100.0**	168.8	100.0	22.0	13.0	**778.7**	**100.0**	585.3	100.0	193.4	33.0

- Segment revenue increased in the fourth quarter and 2022 to \$190.8 million (YTD – \$778.7 million) as compared to \$168.8 million (YTD – \$585.3 million) in 2021.
- Fuel surcharge revenue increased by \$17.2 million in the quarter (YTD – \$64.8 million) (excluding acquisitions) due to the rise in diesel fuel prices.
- Incremental revenue from acquisitions accounted for \$5.5 million in the quarter (YTD – \$117.8 million).
- Segment revenue was negatively impacted in the fourth quarter of 2022 as inclement weather and the timing of holidays, reduced the number of working days available particularly in the month of December. On a year to date basis, general rate increases and steady demand contributed to a \$10.8 million increase in segment revenue.

Direct Operating Expenses

LTL												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Company												
Wages and benefits	**37.9**	**21.3**	36.7	23.7	1.2	3.3	**151.5**	**21.1**	131.0	24.3	20.5	15.6
CEWS	**—**	**—**	(0.3)	(0.2)	0.3	(100.0)	**—**	**—**	(1.3)	(0.2)	1.3	(100.0)
Fuel	**20.5**	**11.5**	14.6	9.4	5.9	40.4	**81.5**	**11.3**	51.2	9.5	30.3	59.2
Repairs and maintenance	**15.1**	**8.5**	13.0	8.4	2.1	16.2	**61.2**	**8.5**	49.8	9.2	11.4	22.9
Purchased transportation	**45.4**	**25.5**	41.1	26.5	4.3	10.5	**179.1**	**24.9**	129.9	24.1	49.2	37.9
Operating supplies	**2.6**	**1.5**	1.9	1.2	0.7	36.8	**10.1**	**1.4**	7.6	1.4	2.5	32.9
Other	**4.2**	**2.4**	4.0	2.6	0.2	5.0	**17.7**	**2.5**	15.3	2.9	2.4	15.7
	125.7	**70.7**	111.0	71.6	14.7	13.2	**501.1**	**69.7**	383.5	71.2	117.6	30.7
Contractors	**7.4**	**58.3**	8.1	61.4	(0.7)	(8.6)	**35.7**	**60.4**	27.6	61.5	8.1	29.3
Total	**133.1**	**69.8**	119.1	70.6	14.0	11.8	**536.8**	**68.9**	411.1	70.2	125.7	30.6

**as a percentage of respective LTL revenue*

- DOE were $133.1 million (YTD – $536.8 million) in 2022 as compared to $119.1 million (YTD – $411.1 million) in 2021. The increase of $14.0 million (YTD – $125.7 million) was due to the $22.0 million (YTD – $193.4 million) increase in segment revenue.
- As a percentage of revenue these expenses decreased by 0.8 percent to 69.8 percent from 70.6 percent in the fourth quarter of 2021 due to lower Contractors and Company costs. Year to date, these expenses as a percentage of revenue decreased to 68.9 percent from 70.2 percent in 2021.
- Company costs decreased as a percentage of Company revenue in the fourth quarter as customer rate increases more than offset higher inflationary costs, most notably fuel costs due to the rise in diesel fuel prices. Year to date, these expenses as a percentage of Company revenue decreased slightly as customer rate increases more than offset higher purchased transportation costs associated with acquisitions and increased fuel costs.
- Contractors costs as a percentage of Contractors revenue decreased in both the fourth quarter and full year of 2022 due to the greater availability of subcontractors in certain markets.

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Selling and Administrative Expenses

LTL												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Wages and benefits	**15.4**	**8.1**	14.9	8.8	0.5	3.4	**61.6**	**7.9**	49.9	8.5	11.7	23.4
CEWS	**—**	**—**	(0.2)	(0.1)	0.2	(100.0)	**—**	**—**	(0.7)	(0.1)	0.7	(100.0)
Communications, utilities and general supplies	**7.7**	**4.0**	6.3	3.7	1.4	22.2	**30.7**	**3.9**	21.9	3.7	8.8	40.2
Profit share	**1.4**	**0.7**	1.3	0.8	0.1	7.7	**6.4**	**0.8**	4.4	0.8	2.0	45.5
Foreign exchange	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Rent and other	**1.4**	**0.8**	1.2	0.7	0.2	16.7	**4.8**	**0.7**	2.8	0.5	2.0	71.4
Total	**25.9**	**13.6**	23.5	13.9	2.4	10.2	**103.5**	**13.3**	78.3	13.4	25.2	32.2

as a percentage of total LTL revenue

- Incremental S&A expenses of $1.1 million (YTD – $16.8 million) from acquisitions, higher inflationary costs associated with utilities and general supplies, higher profit share and the $0.2 million (YTD – $0.7 million) recovery of CEWS in 2021 were the main reasons for the increase in S&A expenses from the prior year.

OIBDA

- The segment generated OIBDA of $31.8 million (2021 – $26.2 million) in the quarter, and $138.4 million (2021 – $95.9 million) for the year.
- OIBDA increased by $5.6 million (YTD – $42.5 million) with general rate increases and steady demand contributing $4.7 million (YTD – $23.2 million) of the increase while acquisitions added incremental OIBDA of $0.9 million (YTD – $19.3 million) in 2022.
- Operating margin[1] improved by 1.2 percent in the fourth quarter to 16.7 percent primarily due to lower DOE resulting from more efficient operations and customer rate increases. Year to date, operating margin[1] was 17.8 percent as compared to 16.4 percent in 2021.
- Adjusted OIBDA[2] increased to $31.8 million (YTD – $138.4 million), representing 16.7 percent (YTD – 17.8 percent) of revenue, as compared to $25.7 million (YTD – $93.9 million) representing 15.2 percent (YTD – 16.0 percent) in 2021.

Capital Expenditures

LTL						
	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
Purchase of property, plant and equipment	**14.9**	10.5	4.4	**31.3**	29.0	2.3
Proceeds on sale of property, plant and equipment	**(0.2)**	(0.6)	0.4	**(1.2)**	(2.0)	0.8
Net capital expenditures[1]	**14.7**	9.9	4.8	**30.1**	27.0	3.1

- The majority of the capital invested in 2022 consisted of trucks and trailers to support growth opportunities as well as replace some older less efficient equipment.

[1] Refer to the section entitled "Other Financial Measures".

[2] Refer to the section entitled "Non-IFRS Financial Measures".

LOGISTICS & WAREHOUSING

Highlights for the Quarter

The L&W segment was a strong performer last year contributing over $600.0 million in revenues, increasing operating margins[1] and generating record OIBDA. For most of 2022 the demand for freight, logistics and warehousing services was very solid, driven by an expanding economy and aggressive inventory purchasing by suppliers. However, industry conditions started to deteriorate in the fourth quarter as inventory levels reached elevated levels, forcing suppliers to curtail new orders and slowing the demand for freight shipments. Our segment continued to generate excellent results despite the freight slowdown, primarily due to the specialized service offerings provided by several Business Units and the strong performance of Kleysen Group Ltd. and Bandstra, the largest companies in the segment.

Market Outlook

We anticipate the segment to generate another year of solid results in 2023 due to the nature of the services provided by our 12 Business Units, an expectation that the western Canadian economy will benefit from investment in energy and mining related projects, and the potential rebound in freight demand as suppliers look to restock inventory levels at some point during the year. We will also consider acquisitions that compliment current service offerings.

Revenue

L&W	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%**	$	%	$	%	**$**	**%**	$	%	$	%
Company	**76.2**	**49.5**	67.2	51.0	9.0	13.4	**287.5**	**47.2**	216.8	46.6	70.7	32.6
Contractors	**77.2**	**50.2**	64.4	48.9	12.8	19.9	**320.3**	**52.6**	247.7	53.2	72.6	29.3
Other	**0.4**	**0.3**	0.2	0.1	0.2	100.0	**1.5**	**0.2**	1.1	0.2	0.4	36.4
Total	**153.8**	**100.0**	131.8	100.0	22.0	16.7	**609.3**	**100.0**	465.6	100.0	143.7	30.9

- Segment revenue in the fourth quarter and 2022 increased by $22.0 million (YTD – $143.7 million) to $153.8 million (YTD – $609.3 million) as compared to $131.8 million (YTD – $465.6 million) in 2021.
- General rate increases and strong demand for freight services from virtually all of our Business Units led to a $14.0 million (YTD – $71.0 million) increase in segment revenue.
- Fuel surcharge revenue increased by $8.0 million (YTD – $36.9 million) (excluding acquisitions) due to the rise in diesel fuel prices.
- Incremental revenue of $35.8 million from the acquisitions of Bandstra and Tri Point accounted for the remaining increase in segment revenue in 2022.

[1] Refer to the section entitled "Other Financial Measures".

Direct Operating Expenses

L&W

($ millions)	Three month periods ended December 31						Years ended December 31					
	2022		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Company												
Wages and benefits	**14.7**	**19.3**	14.0	20.8	0.7	5.0	**60.5**	**21.0**	49.5	22.8	11.0	22.2
CEWS	—	—	(0.5)	(0.7)	0.5	(100.0)	**—**	**—**	(2.0)	(0.9)	2.0	(100.0)
Fuel	**7.0**	**9.2**	5.2	7.7	1.8	34.6	**28.2**	**9.8**	17.4	8.0	10.8	62.1
Repairs and maintenance	**7.6**	**10.0**	6.4	9.5	1.2	18.8	**28.5**	**9.9**	23.0	10.6	5.5	23.9
Purchased transportation	**9.1**	**11.9**	8.9	13.2	0.2	2.2	**38.6**	**13.4**	23.9	11.0	14.7	61.5
Operating supplies	**10.1**	**13.3**	8.6	12.8	1.5	17.4	**25.2**	**8.8**	21.2	9.8	4.0	18.9
Other	**2.5**	**3.2**	2.4	3.7	0.1	4.2	**9.3**	**3.3**	7.4	3.5	1.9	25.7
	51.0	**66.9**	45.0	67.0	6.0	13.3	**190.3**	**66.2**	140.4	64.8	49.9	35.5
Contractors	**55.1**	**71.4**	48.5	75.3	6.6	13.6	**232.5**	**72.6**	186.9	75.5	45.6	24.4
Total	**106.1**	**69.0**	93.5	70.9	12.6	13.5	**422.8**	**69.4**	327.3	70.3	95.5	29.2

**as a percentage of respective L&W revenue*

- DOE were $106.1 million (YTD – $422.8 million) in 2022 as compared to $93.5 million (YTD – $327.3 million) in 2021. The increase of $12.6 million (YTD – $95.5 million) was due to the $22.0 million (YTD – $143.7 million) increase in segment revenue.
- As a percentage of revenue these expenses decreased in both the fourth quarter and on a year to date basis as compared to the corresponding prior year period due to lower Contractors costs.
- Company costs remained fairly consistent as a percentage of Company revenue in the fourth quarter of 2022 as compared to the same period in 2021 as higher customer rates were offset by inflationary costs, most notably higher fuel costs. On a year to date basis, Company costs increased as a percentage of Company revenue due to higher purchased transportation costs associated with our new acquisitions and from higher fuel costs.
- Contractors costs as a percentage of Contractors revenue decreased in both the fourth quarter and year to date in 2022 as compared to the same corresponding periods in 2021 due to the greater availability of Contractors in certain markets.

Selling and Administrative Expenses

L&W

($ millions)	Three month periods ended December 31						Years ended December 31					
	2022		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Wages and benefits	**10.2**	**6.6**	9.3	7.0	0.9	9.7	**41.4**	**6.8**	34.0	7.3	7.4	21.8
CEWS	**—**	**—**	(0.3)	(0.2)	0.3	(100.0)	**—**	**—**	(1.1)	(0.2)	1.1	(100.0)
Communications, utilities and general supplies	**4.2**	**2.7**	3.3	2.5	0.9	27.3	**16.0**	**2.6**	12.3	2.6	3.7	30.1
Profit share	**2.0**	**1.3**	1.5	1.1	0.5	33.3	**7.8**	**1.3**	4.9	1.1	2.9	59.2
Foreign exchange	**—**	**—**	—	—	—	—	**(0.8)**	**(0.1)**	(0.1)	—	(0.7)	700.0
Rent and other	**0.9**	**0.6**	0.4	0.4	0.5	125.0	**3.0**	**0.5**	1.8	0.3	1.2	66.7
Total	**17.3**	**11.2**	14.2	10.8	3.1	21.8	**67.4**	**11.1**	51.8	11.1	15.6	30.1

**as a percentage of total L&W revenue*

- S&A expenses increased by $3.1 million (YTD – $15.6 million) due to increased profit share and higher inflationary costs associated with utilities and general supplies. On a year to date basis, we also recognized $5.2 million of incremental S&A expenses associated with acquisitions.

OIBDA

- OIBDA increased by $6.3 million in the fourth quarter of 2022, to $30.4 million, as compared to the prior year period due to general rate increases at virtually all of our Business Units. On a year to date basis, OIBDA increased by $32.6 million, to $119.1 million, of which $26.1 million came from general rate increases and $6.5 million resulted from acquisitions.
- Operating margin[1] improved to 19.8 percent (YTD – 19.5 percent) in 2022 as compared to 18.3 percent (YTD – 18.6 percent) in 2021 due to several Business Units implementing rate increases that more than offset inflationary costs.
- Adjusted OIBDA[2] was $30.4 million (YTD – $119.1 million) in 2022 as compared to $23.3 million (YTD – $83.4 million) in 2021.
- Adjusted operating margin[2] increased to 19.8 percent (YTD – 19.5 percent) in 2022 as compared to 17.7 percent (YTD – 17.9 percent) in 2021 due to the strong performance at several of our Business Units.

Capital Expenditures

L&W	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
Purchase of property, plant and equipment	**5.9**	8.3	(2.4)	**22.5**	17.5	5.0
Proceeds on sale of property, plant and equipment	**(33.2)**	(0.6)	(32.6)	**(36.0)**	(2.2)	(33.8)
Net capital expenditures[1]	**(27.3)**	7.7	(35.0)	**(13.5)**	15.3	(28.8)

- The majority of the capital invested in 2022 consisted of trucks, trailers and various pieces of operating equipment to replace some older less efficient equipment. Proceeds on sale mainly consisted of the sale of non-core real property in Surrey, British Columbia for $32.6 million.

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[1] Refer to the section entitled "Other Financial Measures".

[2] Refer to the section entitled "Non-IFRS Financial Measures".

SPECIALIZED & INDUSTRIAL SERVICES

Highlights for the Quarter

The demand for specialized services, including dewatering, water management, pipeline hauling, oilfield activity, and construction project work in northern Manitoba, remained elevated in the quarter and very consistent with the previous quarterly period. A new contribution to the segment was the acquisition of Cordova, a company based in northern British Columbia, that we held a minority position in for eight years, primarily because we believe natural gas drilling activity will increase in the region upon completion of the Kitimat LNG Project. Overall business activity in the quarter was impacted by the weather issues in December and the extended holiday season essentially bringing activity to a standstill in the latter part of December. Higher pricing for virtually all services, implemented throughout the year, was the primary reason operating profitability remained strong as the 15 Business Units were successful at focusing on higher margin business.

Market Outlook

We maintain a positive outlook for the majority of the Business Units in the segment, with the only exception being our Premay Pipeline Hauling group, as major pipeline construction activity in western Canada nears completion. All indications are that the oil and natural gas industry will continue to increase drilling programs this year, potentially reaching new cycle highs in 2023. There is also growing pressure on the industry to allocate new capital towards long term projects that meet evolving ESG benchmarks. Capital investment in construction projects, along with dewatering and water management services, are expected to remain consistent with last year. For these reasons, we believe the segment can maintain revenues and profitability in 2023. In addition, acquisition opportunities are starting to look very attractive from a valuation perspective. We will consider investments in this segment that can enhance margins and be integrated into our current service offerings.

Revenue

S&I												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%**	$	%	$	%	**$**	**%**	$	%	$	%
Company	**82.6**	**76.5**	66.6	81.2	16.0	24.0	**318.3**	**79.5**	251.7	80.3	66.6	26.5
Contractors	**25.0**	**23.1**	15.3	18.7	9.7	63.4	**81.2**	**20.3**	60.6	19.3	20.6	34.0
Other	**0.4**	**0.4**	0.1	0.1	0.3	300.0	**1.1**	**0.2**	1.1	0.4	—	—
Total	**108.0**	**100.0**	82.0	100.0	26.0	31.7	**400.6**	**100.0**	313.4	100.0	87.2	27.8

- Segment revenue in both the fourth quarter and year to date 2022 increased by $26.0 million (YTD – $87.2 million) to $108.0 million (YTD – $400.6 million) as compared to $82.0 million (YTD – $313.4 million) in 2021.
- General rate increases led to a $19.6 million (YTD – $67.2 million) increase in segment revenue, which was due to greater revenue from those Business Units involved in the transportation of fluids and servicing of wells, from greater demand at Canadian Dewatering and Smook, and from greater activity levels in the Western Canadian Sedimentary Basin ("**WCSB**") for our drilling related services Business Units.
- Fuel surcharge revenue increased by $2.9 million (YTD – $10.9 million) while incremental revenue of $3.5 million (YTD – $9.1 million) from the acquisitions of Cordova and Babine accounted for some of the increase in segment revenue in 2022.

Direct Operating Expenses

S&I												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Company												
Wages and benefits	**20.5**	**24.8**	18.4	27.7	2.1	11.4	**77.9**	**24.5**	69.6	27.7	8.3	11.9
CEWS	**—**	**—**	(3.1)	(4.7)	3.1	(100.0)	**—**	**—**	(9.8)	(3.9)	9.8	(100.0)
Fuel	**7.4**	**9.0**	5.4	8.1	2.0	37.0	**27.6**	**8.7**	19.2	7.6	8.4	43.8
Repairs and maintenance	**14.2**	**17.2**	11.9	17.9	2.3	19.3	**53.1**	**16.7**	44.3	17.6	8.8	19.9
Purchased transportation	**0.7**	**0.8**	0.4	0.6	0.3	75.0	**2.7**	**0.8**	1.7	0.7	1.0	58.8
Operating supplies	**12.3**	**14.9**	10.4	15.6	1.9	18.3	**47.8**	**15.0**	36.2	14.4	11.6	32.0
Other	**2.6**	**3.2**	1.8	2.7	0.8	44.4	**8.3**	**2.6**	6.9	2.7	1.4	20.3
	57.7	**69.9**	45.2	67.9	12.5	27.7	**217.4**	**68.3**	168.1	66.8	49.3	29.3
Contractors	**20.8**	**83.2**	12.4	81.0	8.4	67.7	**66.5**	**81.9**	50.5	83.3	16.0	31.7
Total	**78.5**	**72.7**	57.6	70.2	20.9	36.3	**283.9**	**70.9**	218.6	69.8	65.3	29.9

**as a percentage of respective S&I revenue*

- DOE were $78.5 million (YTD – $283.9 million) in 2022 as compared to $57.6 million (YTD – $218.6 million) in 2021. The increase of $20.9 million (YTD – $65.3 million) was mainly due to the $26.0 million (YTD – $87.2 million) increase in segment revenue.
- As a percentage of revenue these expenses increased to 72.7 percent in the fourth quarter of 2022 from 70.2 percent in 2021 due to higher Company and Contractors costs. Year to date, these expenses increased as compared to the same period in 2021 due to higher Company costs.
- Company costs increased as a percentage of Company revenue in both the fourth quarter and year to date 2022 due to higher inflationary costs, most notably fuel along with recognizing $3.1 million (YTD – $9.8 million) of CEWS in 2021.
- Contractors costs as a percentage of Contractors revenue increased in the fourth quarter of 2022 as compared to the same period in 2021 due to the lower availability of subcontractors in certain markets. Year to date, Contractors costs as a percentage of Contractors revenue decreased due to a greater proportion of low margin subcontractors' costs associated with pipeline hauling and stringing services in 2021.

Selling and Administrative Expenses

S&I												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Wages and benefits	**5.3**	**4.9**	5.3	6.5	—	—	**21.1**	**5.3**	20.7	6.6	0.4	1.9
CEWS	**—**	**—**	(0.8)	(1.0)	0.8	(100.0)	**—**	**—**	(2.8)	(0.9)	2.8	(100.0)
Communications, utilities and general supplies	**3.4**	**3.1**	3.1	3.8	0.3	9.7	**12.4**	**3.1**	11.4	3.6	1.0	8.8
Profit share	**1.2**	**1.1**	0.6	0.7	0.6	100.0	**4.7**	**1.2**	2.9	0.9	1.8	62.1
Foreign exchange	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Rent and other	**0.5**	**0.5**	—	—	0.5	—	**1.0**	**0.2**	0.6	0.3	0.4	66.7
Total	**10.4**	**9.6**	8.2	10.0	2.2	26.8	**39.2**	**9.8**	32.8	10.5	6.4	19.5

**as a percentage of total S&I revenue*

- S&A expenses were $10.4 million (YTD – $39.2 million) in 2022 as compared to $8.2 million (YTD – $32.8 million) in 2021. The increase of $2.2 million (YTD – $6.4 million) was mainly due to higher profit share from greater earnings, inflationary costs associated with utilities and general supplies, incremental S&A expenses from acquisitions and from the recovery of CEWS in 2021.

OIBDA

- OIBDA increased by $2.9 million to $19.1 million in the quarter, and increased by $15.5 million to $77.5 million for the year due to price increases implemented at several Business Units, the improved results at Canadian Dewatering, greater demand from the Business Units involved in the transportation of fluids and servicing of wells, and drilling related services as higher commodity prices resulted in increased activity levels in the WCSB.
- Operating margin[1] decreased by 2.1 percent (YTD – 0.5 percent) to 17.7 percent (YTD – 19.3 percent) in 2022 from 19.8 percent (YTD – 19.8 percent) in 2021 due to the recovery of CEWS in 2021.
- Adjusted OIBDA[2] was $19.1 million (YTD – $77.5 million) as compared to $12.3 million (YTD – $49.4 million) in 2021.
- Adjusted operating margin[2] increased to 17.7 percent (YTD – 19.3 percent) in 2022 from 15.0 percent (YTD – 15.8 percent) in 2021 due to price increases implemented at several Business Units, the strong performance at Canadian Dewatering and greater activity levels in the WCSB.

Capital Expenditures

S&I	Three month periods ended December 31			Years ended December 31		
($ millions)	**2022**	2021	Change	**2022**	2021	Change
	$	$	$	**$**	$	$
Purchase of property, plant and equipment	**3.4**	2.0	1.4	**11.4**	11.0	0.4
Proceeds on sale of property, plant and equipment	**(1.2)**	(2.0)	0.8	**(6.5)**	(8.2)	1.7
Net capital expenditures[1]	**2.2**	—	2.2	**4.9**	2.8	2.1

- The majority of the capital invested in 2022 consisted of pumps, generators, and water management equipment to support demand at Canadian Dewatering and to replace some civil construction equipment to meet the demand of future projects at Smook.

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[1] Refer to the section entitled "Other Financial Measures".

[2] Refer to the section entitled "Non-IFRS Financial Measures".

U.S. & INTERNATIONAL LOGISTICS

Highlights for the Quarter

HAUListic, the only Business Unit currently included in the segment, was negatively impacted by the slowdown in the U.S. freight markets, with the demand for truckload shipments experiencing a sharp decline as shippers continued rebalancing inventory levels. LTL and international shipments remained resilient despite a softening in economic activity, a major reason HAUListic experienced only a moderate decline in revenues during the quarter. Operating margins[1] and profitability came under pressure due to competitive pricing as well as an increase in S&A expenses, primarily associated with our decision to add IT talent to the group.

Market Outlook

Business activity and overall freight demand will be impacted by the slowing economy and the inventory rebalancing by shippers and retailers. This will negatively affect revenues and profitability in 2023. Nevertheless, we still believe HAUListic will be profitable due to the nature of the non-asset 3PL business, as contractors are pressured to reduce rates with demand falling. We remain committed to enhancing our proprietary technology platform, SilverExpress™, a transportation management software and digital marketplace, an investment we believe offers the best opportunity for HAUListic to grow in the non-asset 3PL marketplace.

Revenue

US 3PL												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%**	$	%	$	%	**$**	**%**	$	%	$	%
Company	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Contractors	**52.6**	**100.0**	61.2	100.0	(8.6)	(14.1)	**221.8**	**100.0**	118.2	100.0	103.6	87.6
Other	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Total	**52.6**	**100.0**	61.2	100.0	(8.6)	(14.1)	**221.8**	**100.0**	118.2	100.0	103.6	87.6

- Segment revenue in the fourth quarter decreased by $8.6 million to $52.6 million as compared to $61.2 million in the fourth quarter of 2021, due to the slowing demand for full truckload shipments.
- Segment revenue in 2022 increased by $103.6 million to $221.8 million as compared to $118.2 million in 2021 due to the timing of the acquisition of HAUListic.

[1] Refer to the section entitled "Other Financial Measures".

Direct Operating Expenses

US 3PL												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Company												
Wages and benefits	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
CEWS	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Fuel	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Repairs and maintenance	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Purchased transportation	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Operating supplies	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Other	**0.2**	**—**	0.1	—	0.1	100.0	**0.9**	**—**	0.2	—	0.7	350.0
	0.2	**—**	0.1	—	0.1	100.0	**0.9**	**—**	0.2	—	0.7	350.0
Contractors	**47.8**	**90.9**	55.7	91.0	(7.9)	(14.2)	**201.3**	**90.8**	107.3	90.8	94.0	87.6
Total	**48.0**	**91.3**	55.8	91.2	(7.8)	(14.0)	**202.2**	**91.2**	107.5	90.9	94.7	88.1

**as a percentage of respective US 3PL revenue*

- HAUListic, a non-asset based 3PL provider and does not own any operating assets other than its proprietary technology platform trademarked as SilverExpress™. HAUListic uses the services of Contractors to transport tendered freight shipments whereby all freight is moved through a network of licensed and certified contractors.
- DOE were $48.0 million (YTD – $202.2 million) in 2022 as compared to $55.8 million (YTD – $107.5 million) in 2021. In absolute dollar terms, DOE decreased in the fourth quarter of 2022 as compared to the prior year period due to the decrease in segment revenue. Year to date, DOE increased in absolute dollar terms due to the timing of the acquisition of HAUListic.
- As a percentage of segment revenue, DOE remained relatively consistent in both the fourth quarter and on a year to date basis in 2022 as compared to the corresponding prior year periods.

Selling and Administrative Expenses

US 3PL												
	Three month periods ended December 31						Years ended December 31					
($ millions)	**2022**		2021		Change		**2022**		2021		Change	
	$	**%***	$	%*	$	%	**$**	**%***	$	%*	$	%
Wages and benefits	**2.6**	**4.9**	1.9	3.1	0.7	36.8	**9.4**	**4.2**	3.8	3.2	5.6	147.4
CEWS	**—**	**—**	—	—	—	—	**—**	**—**	—	—	—	—
Communications, utilities and general supplies	**0.9**	**1.7**	1.0	1.6	(0.1)	(10.0)	**3.5**	**1.6**	1.4	1.2	2.1	150.0
Profit share	**—**	**—**	—	—	—	—	**0.2**	**0.1**	—	—	0.2	—
Foreign exchange	**0.1**	**0.2**	0.1	0.2	—	—	**(0.4)**	**(0.2)**	—	—	(0.4)	—
Rent and other	**0.1**	**0.2**	0.4	0.7	(0.3)	(75.0)	**1.2**	**0.6**	0.6	0.5	0.6	100.0
Total	**3.7**	**7.0**	3.4	5.6	0.3	8.8	**13.9**	**6.3**	5.8	4.9	8.1	139.7

**as a percentage of total US 3PL revenue*

- S&A expenses consist primarily of salaries and technology costs to both support and continue the development of our proprietary technology platform trademarked as SilverExpress™.
- S&A expenses were $3.7 million (YTD – $13.9 million) in 2022 as compared to $3.4 million (YTD – $5.8 million) in 2021. In absolute dollar terms, S&A expenses increased in the fourth quarter of 2022 as compared to the prior year period due to adding support staff to continue the development of SilverExpress™. Year to date, S&A expenses increased in absolute dollar terms due to the timing of the acquisition of HAUListic.

- As a percentage of segment revenue, S&A expenses increased in both the fourth quarter and on a year to date basis in 2022 as compared to the corresponding prior year periods.

OIBDA

- OIBDA decreased by $1.1 million to $0.9 million in the fourth quarter of 2022 as compared to the prior year period due to the combination of lower segment revenue combined with higher S&A expenses to further the development of SilverExpress™. Year to date, OIBDA increased by $0.8 million to $5.7 million as compared to the prior year due to the timing of the acquisition of HAUListic.
- Operating margin[1] declined by 1.6 percent (YTD – 1.5 percent) to 1.7 percent (YTD – 2.6 percent) in 2022 as compared to 3.3 percent (YTD – 4.1 percent) in the same corresponding period in 2021, primarily due to higher S&A expenses as a percentage of segment revenue.
- Operating margin[1] as a percentage of net revenue[2] was 19.6 percent (YTD – 29.0 percent) in 2022 as compared to 37.0 percent (YTD – 45.8 percent) in 2021.

Capital Expenditures

This asset light operating segment did not have any capital expenditures or dispositions. This segment only had $1.0 million of property, plant and equipment associated with its SilverExpress™ transportation management platform as at December 31, 2022 and therefore generates cash in excess of its operating needs.

CORPORATE

The Corporate Office recorded a loss of $4.6 million (YTD – $10.8 million) in 2022 as compared to a loss of $2.7 million (YTD – $12.9 million) in 2021. The $1.9 million increase in loss in the fourth quarter of 2022 as compared to the prior year period was mainly attributable to higher salaries and a $0.2 million negative variance in foreign exchange. The $2.1 million decrease in loss in 2022 as compared to the prior year was mainly attributable to a $2.7 million positive variance in foreign exchange, which was somewhat offset by higher salaries.

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[1] Refer to the section entitled "Other Financial Measures".

[2] Refer to the section entitled "Non-IFRS Financial Measures"

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

	Years ended December 31			
($ millions)		**2022**		**2021**
Net cash from operating activities	**$**	**263.0**	$	198.0
Net cash used in financing activities		**(215.1)**		(46.3)
Net cash used in investing activities		**(37.0)**		(255.6)
Change in cash and cash equivalents		**10.9**		(103.9)
Effect of exchange rate fluctuations on cash held		**(2.1)**		(1.4)
Cash and cash equivalents, beginning of period		**—**		105.3
Cash and cash equivalents, end of period	**$**	**8.8**	$	—

Sources and Uses of Cash

Cash From Operating Activities

We continue to generate cash in excess of our operating needs by generating net cash from operating activities of $263.0 million in 2022 as compared to $198.0 million in 2021. The increase of $65.0 million was mainly due to the increase in OIBDA in 2022 as compared to 2021. This increase was somewhat offset by higher working capital requirements associated with the revenue growth we experienced in 2022 and from an increase in cash taxes paid in 2022 as compared to the prior year.

Cash Used In Financing Activities

Net cash used in financing activities was $215.1 million in 2022 as compared to using $46.3 million in 2021. This $168.8 million variance was mainly due to the change in the amounts being borrowed and repaid on our Credit Facilities in 2022 as compared to 2021 to finance working capital requirements. We also had an increase in cash used to pay dividends to common shareholders, pay interest obligations, pay debt assumed on the Willy's acquisition and repay lease liabilities. These items were somewhat offset by a decrease in cash used to repurchase and cancel Common Shares under the NCIB.

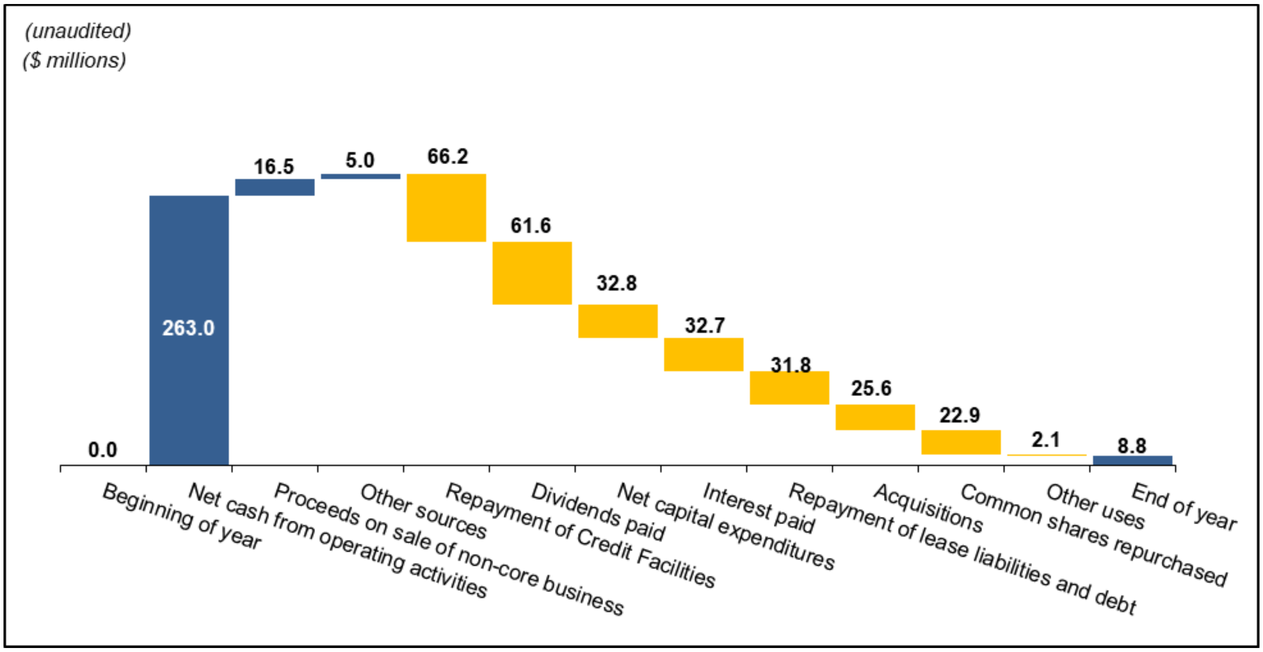
Cash Used In Investing Activities

Net cash used in investing activities decreased to $37.0 million in 2022 as compared to $255.6 million in 2021. This $218.6 million decrease was mainly due to a $181.9 million decrease in cash used on acquisitions. In addition, net capital expenditures[1] decreased by $14.7 million mainly due to the sale of non-core real estate in Surrey, British Columbia in 2022. We also generated $16.5 million of cash from the sale of our hydrovac business in 2022.

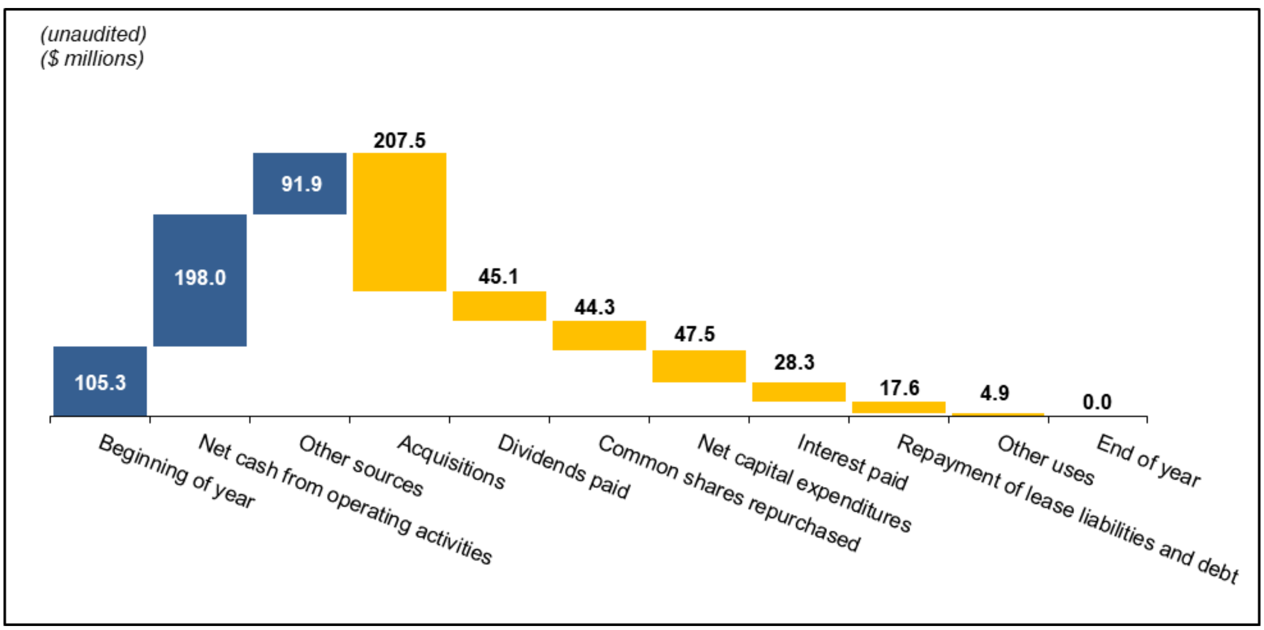
[1] Refer to the section entitled "Other Financial Measures".

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

Year ended December 31, 2022



Year ended December 31, 2021



Working Capital

At December 31, 2022, we had $140.3 million (December 31, 2021 – $50.8 million) of working capital, which included $22.8 million of amounts drawn on the Credit Facilities. This working capital also includes a current liability of $21.0 million (December 31, 2021 – $17.9 million) related to the current portion of lease liabilities. This working capital, the Credit Facilities, and the anticipated cash flow from operating activities in 2023 are available to finance ongoing working capital requirements, the 2023 dividend, the 2023 capital budget, as well as various special projects and acquisition opportunities.

DEBT AND CONTRACTUAL OBLIGATIONS

Debt

As at December 31, 2022, total debt less working capital was $527.9 million (December 31, 2021 – $587.5 million), which consisted of total debt of $712.3 million (December 31, 2021 – $745.3 million) less working capital (excluding the current portion of lease liabilities) of $184.4 million (December 31, 2021 – $157.8 million). The primary reason for the decrease in the carrying value of the long-term debt was due to repaying amounts drawn on the Credit Facilities, which was somewhat offset by the increase in lease liabilities and 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, the Debentures, lease liabilities, the Credit Facilities and various financing loans. The following table summarizes total debt less working capital as at December 31, 2022, and December 31, 2021.

($ millions)	Interest Rate	December 31, 2022 U.S. Dollar	December 31, 2022 CDN. Dollar Equivalent	December 31, 2021 U.S. Dollar	December 31, 2021 CDN. Dollar Equivalent	Change in CDN. Dollar Equivalent
Private Placement Debt:						
Series G - matures October 22, 2024	3.84%	$ 117.0	$ 158.5	$ 117.0	$ 148.4	$ 10.1
Series H - matures October 22, 2026	3.94%	112.0	151.7	112.0	142.0	9.7
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 indebtedness	variable[1]	—	22.8	—	89.0	(66.2)
Various financing loans	2.68% - 7.49%	—	1.1	—	0.9	0.2
Less:						
Unamortized debt issuance costs		—	(0.5)	—	(0.7)	0.2
Long-term debt (including the current portion)		229.0	504.6	229.0	550.6	(46.0)
Debentures – debt component	5.75%	—	115.8	—	113.5	2.3
Lease liabilities (including the current portion)	3.20%	—	91.9	—	81.2	10.7
Total debt		$ 229.0	$ 712.3	$ 229.0	$ 745.3	$ (33.0)
Less:						
Working capital (excluding the bank indebtedness and the current portion of long-term debt and leases)			184.4		157.8	26.6
Total debt less working capital			$ 527.9		$ 587.5	$ (59.6)

[1] *Bank prime rate plus 0.5 percent or bankers' acceptance rates plus 1.5 percent.*

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], as defined within the Private Placement Debt Agreement, means all debt excluding the Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position but includes the Private Placement Debt, lease liabilities, Credit Facilities and letters of credit. The term "**operating cash flow**", as defined within the Private Placement Debt Agreement, means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges.

[1] Refer to the section entitled "Other Financial Measures".

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

Total net debt[1] to operating cash flow		**December 31 2022**		**December 31 2021**
Total net debt[1]	$	554.0	$	598.4
Operating cash flow	$	331.0	$	237.2
Total net debt[1] to operating cash flow		1.67:1		2.52:1

[1] Refer to the section entitled "Other Financial Measures".

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

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

Total Earnings Available for Fixed Charges to Total Fixed Charges		**December 31 2022**		**December 31 2021**
Total earnings available for fixed charges	$	336.1	$	240.0
Total fixed charges	$	30.9	$	23.9
Total earnings available for fixed charges to total fixed charges		10.89:1		10.02:1

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

Financial Covenants	**Financial Covenant Threshold**	**December 31 2022**	**December 31 2021**
Private Placement Debt Covenants			
(a) Total net debt[1] to operating cash flow cannot exceed	3.50:1	1.67:1	2.52:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	10.89:1	10.02:1

[1] Refer to the section entitled "Other Financial Measures".

Total net debt[1] to operating cash flow was 1.67:1 at December 31, 2022. Assuming the $554.0 million of total net debt[1] remains constant, we would need to generate approximately $158.3 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant.

Mullen Group is also subject to a priority debt covenant. The term "priority debt" means all indebtedness secured by permitted liens excluding certain qualified subsidiary debt. Priority debt cannot exceed 15.0 percent of total assets. At December 31, 2022, the priority debt was $0.4 million or an insignificant percentage of total assets.

Our debt-to-equity ratio was 0.73:1 at December 31, 2022, as compared to 0.84:1 at December 31, 2021. This decrease in the debt-to-equity ratio was due to the net effect of a $33.0 million decrease in total debt (including the current portion) and an $84.7 million increase in equity as compared to December 31, 2021. The $33.0 million decrease in total debt was due to reducing the amount being borrowed on the Credit Facilities in 2022, which was somewhat offset by the increase in lease liabilities and the $19.8 million foreign exchange loss on the Corporation's U.S. dollar debt. The $84.7 million increase in equity mainly resulted from the $158.6 million of net income being recognized in 2022. This item was somewhat offset by the $63.4 million of dividends declared to shareholders in 2022 and from the Common Shares repurchased under the NCIB.

[1] Refer to the section entitled "Other Financial Measures".

Contractual Obligations

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

	Maximum Payments				
	Total	1 year	2 – 3 years	4 – 5 years	5 years and thereafter
($ millions)	$	$	$	$	$
Private Placement Debt[1]	481.1	—	246.4	234.7	—
Interest on Private Placement Debt[1]	52.9	18.9	26.4	7.6	—
Bank indebtedness	22.8	22.8	—	—	—
Debentures	125.0	—	—	125.0	—
Interest on the Debentures	28.2	7.2	14.4	6.6	—
Purchase obligations	42.0	42.0	—	—	—
Lease liabilities	107.2	25.2	36.0	19.8	26.2
Various financing loans	1.1	0.2	0.9	—	—
Total Contractual Obligations	860.3	116.3	324.1	393.7	26.2

[1] *Assumes a U.S. dollar foreign exchange rate of $1.3544.*

We ended 2022 with Private Placement Debt of $481.1 million, an increase of $19.8 million as compared to the $461.3 million at the beginning of the year. This increase was due to the $19.8 million foreign exchange loss on the Corporation's U.S. dollar debt. The Private Placement Debt matures in 2024 and 2026.

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

As at December 31, 2022, we entered into various capital expenditure purchase obligations totalling $42.0 million. The majority of these purchase obligations relate to the acquisition of trucks and trailers given that certain manufacturers require purchase obligations in advance so that manufacturing can commence and expected delivery times can be met.

The majority of our lease liabilities relate to real property leases that are mainly utilized by certain Business Units within the LTL and L&W segments. Some Business Units have also entered into leases pertaining to various pieces of operating equipment including rail cars, trucks and trailers. As at December 31, 2022, we had total contractual cash commitments of $107.2 million while the carrying amount of these lease liabilities on our consolidated statement of financial position was $91.9 million. The carrying amount is measured at the present value of the remaining lease payments at an average incremental borrowing rate of 3.2 percent.

As at December 31, 2022, we had $22.8 million of bank indebtedness, which consists of amounts drawn on the Credit Facilities. Various financing loans consist of a mortgage that was assumed as part of the acquisition of Bandstra and various bank loans assumed on the acquisition of Cordova.

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, 2021	94,532,178	$	853.6
Common Shares repurchased and cancelled	(1,863,251)		(12.2)
Common Shares issued on acquisitions	284,078		3.9
Balance at December 31, 2022	**92,953,005**	**$**	**845.3**

At December 31, 2022, there were 92,953,005 Common Shares outstanding representing $845.3 million in share capital. In 2022 we repurchased and cancelled 1,863,251 Common Shares under the NCIB program. We also repurchased 74,465 Common Shares that were cancelled in January 2023. As at January 31, 2023, there were 92,878,540 Common Shares issued and outstanding.

In 2022 we issued 284,078 Common Shares as partial consideration for the acquisition of Cordova.

Stock Option Plan

	Options		**Weighted average exercise price**
Outstanding – December 31, 2021	3,755,000	$	16.89
Granted	345,000		13.42
Expired	(205,000)		(21.48)
Forfeited	(140,000)		(13.12)
Outstanding – December 31, 2022	**3,755,000**	**$**	**16.47**
Exercisable – December 31, 2022	**2,400,000**	**$**	**19.29**

There are 3,012,500 stock options available to be issued under our stock option plan. In 2022 we granted 345,000 stock options at a weighted average exercise price of $13.42. In 2022 there were 205,000 stock options that had expired and 140,000 stock options were forfeited. As at December 31, 2022, Mullen Group had 3,755,000 stock options outstanding under the stock option plan. As at January 31, 2023, there were 3,510,000 stock options outstanding under the stock option plan.

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CAPITAL EXPENDITURES

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

Capital Expenditures and Depreciation Summary	**Years ended December 31**			
($ millions)	**2022**	**2021**	**2020**	**2019**
	$	**$**	**$**	**$**
Facilities				
Gross capital expenditures	**18.1**	16.7	22.6	18.7
Net capital expenditures[1]	**(20.8)**	6.6	15.2	18.7
Depreciation	**9.3**	10.3	8.4	7.9
Trucks, trailers and specialized equipment				
Gross capital expenditures	**63.3**	51.5	42.3	56.3
Net capital expenditures[1]	**53.6**	40.9	35.2	49.8
Depreciation	**61.8**	62.9	64.0	72.6
Total				
Gross capital expenditures	**81.4**	68.2	64.9	75.0
Net capital expenditures[1]	**32.8**	47.5	50.4	68.5
Depreciation	**71.1**	73.2	72.4	80.5

[1] Refer to the section entitled "Other Financial Measures".

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SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

Revenue and profitability within the LTL and L&W segments are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within these segments in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions. Generally speaking, the third and fourth quarters tend to be the strongest in terms of demand for the services in these segments.

A significant portion of the operations within the S&I segment is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and gas, environmental, construction, pipeline, utility, telecom and civil industries, predominantly in western Canada. Activity levels, revenue and earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity peaks in the winter months and declines during the spring. As a result, the demand for these services has historically been highest in the first quarter and lowest in the second quarter.

Financial Results

	TTM[1]	2022				2021			
(unaudited)		**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	Q3	Q2	Q1
($ millions, except per share amounts)	**$**	**$**	**$**	**$**	**$**	**$**	$	$	$
Revenue	**1,999.5**	**502.7**	**518.4**	**521.5**	**456.9**	**441.9**	432.5	312.5	290.5
OIBDA	**329.9**	**77.6**	**98.1**	**93.9**	**60.3**	**65.8**	64.5	59.0	47.1
Net income	**158.6**	**61.5**	**38.0**	**42.7**	**16.4**	**20.2**	17.5	21.7	13.0
Earnings per share									
Basic	**1.70**	**0.66**	**0.41**	**0.46**	**0.17**	**0.21**	0.18	0.23	0.13
Diluted	**1.62**	**0.62**	**0.39**	**0.43**	**0.17**	**0.21**	0.18	0.23	0.13
Other Information									
Net foreign exchange loss (gain)	**10.8**	**(2.1)**	**8.4**	**1.2**	**3.3**	**0.8**	(0.2)	(1.2)	(0.1)
Decrease (increase) in fair value of investments	**(0.1)**	**(0.4)**	**0.4**	**0.1**	**(0.2)**	**(0.4)**	0.3	(0.7)	(0.4)

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.*

Consolidated revenue in the fourth quarter of 2022 was a record as compared to any previous fourth quarter and increased by $60.8 million to $502.7 million as compared to $441.9 million in 2021. This increase was mainly due to general rate increases along with steady demand for freight services, incremental revenue from acquisitions and an increase in fuel surcharge revenue. Net income in the fourth quarter was $61.5 million, an increase of $41.3 million from the $20.2 million of net income generated in 2021. The $41.3 million increase in net income was mainly attributable to the increase in gain on sale of property, plant and equipment and from an increase in OIBDA.

Consolidated revenue in the third quarter of 2022 was a record as compared to any previous third quarter and increased by $85.9 million to $518.4 million as compared to $432.5 million in 2021. This increase was mainly due to general rate increases along with steady demand for freight services and an increase in fuel surcharge revenue. Net income in the third quarter was $38.0 million, an increase of $20.5 million from the $17.5 million of net income generated in 2021. The increase in net income was mainly attributable to an increase in OIBDA being somewhat offset by an increase in income tax expense and a negative variance in net foreign exchange.

Consolidated revenue in the second quarter of 2022 was a record as compared to any previous quarter and increased by $209.0 million to $521.5 million as compared to $312.5 million in 2021. This increase was mainly due to the incremental revenue generated from acquisitions. Net income in the second quarter was $42.7 million, an increase of $21.0 million from the $21.7 million of net income generated in 2021. The increase in net income was mainly attributable to an increase in OIBDA being somewhat offset by an increase in income tax expense and a negative variance in net foreign exchange.

Consolidated revenue in the first quarter of 2022 was a record as compared to any previous first quarter and increased by $166.4 million to $456.9 million as compared to $290.5 million in 2021. This increase was mainly due to the incremental revenue generated from acquisitions. Net income in the first quarter was $16.4 million, an increase of $3.4 million from the $13.0 million of net income generated in 2021. The increase in net income was mainly attributable to an increase in OIBDA being somewhat offset by a negative variance in net foreign exchange and an increase in income tax expense.

SELECTED FINANCIAL DATA

Consolidated – Seven Year

Years ended December 31 *($ thousands)* *(unaudited)*	2022 $	2021 $	2020 $	2019 $	2018 $	2017 $	2016 $
Revenue	**1,999,453**	1,477,434	1,164,331	1,278,502	1,260,798	1,138,489	1,035,059
Expenses							
Direct operating expenses	**1,427,939**	1,055,392	796,541	909,911	902,813	811,378	711,847
Selling and administrative expenses	**241,625**	185,664	150,216	167,679	168,970	154,953	142,179
OIBDA[1]	**329,889**	236,378	217,574	200,912	189,015	172,158	181,033
Depreciation and amortization	**112,513**	113,964	101,590	111,491	87,489	86,570	85,300
Finance costs	**35,043**	30,381	28,464	23,625	20,027	27,499	32,460
Net foreign exchange loss (gain)	**10,787**	(723)	(2,393)	(14,140)	8,537	(21,693)	(5,778)
Other (income) expense	**(39,335)**	(3,089)	3,779	(201)	(445)	(504)	(2,694)
Impairment of goodwill	**—**	—	—	—	100,000	—	—
Gain on contingent consideration	**—**	(150)	—	—	—	(2,000)	—
Income (loss) before income taxes	**210,881**	95,995	86,134	80,137	(26,593)	82,286	71,745
Income tax expense	**52,262**	23,559	22,155	7,896	17,194	16,777	19,707
Total comprehensive income	**158,619**	72,436	63,979	72,241	(43,787)	65,509	52,038

Segmented Information – Five Year

Years ended December 31 *($ thousands)* *(unaudited)*	2022 $	2021 $	2020 $	2019 $	2018 $
Less-Than-Truckload Segment					
Revenue	**778,728**	585,318	443,792	451,582	429,286
Direct operating expenses	**536,786**	411,096	307,786	321,458	307,830
Selling and administrative expenses	**103,517**	78,292	61,018	59,503	58,120
OIBDA[1]	**138,425**	95,930	74,988	70,621	63,336
Operating margin[2]	**17.8%**	16.4%	16.9%	15.6%	14.8%
Logistics & Warehousing Segment					
Revenue	**609,288**	456,614	362,007	404,840	424,852
Direct operating expenses	**422,869**	327,234	251,331	294,617	316,637
Selling and administrative expenses	**67,344**	51,838	39,090	45,394	46,931
OIBDA[1]	**119,075**	86,542	71,586	64,829	61,284
Operating margin[2]	**19.5%**	18.6%	19.8%	16.0%	14.4%
Specialized & Industrial Services Segment					
Revenue	**400,605**	313,394	362,041	426,312	410,578
Direct operating expenses	**283,939**	218,623	243,504	302,946	288,925
Selling and administrative expenses	**39,130**	32,760	36,185	48,420	51,071
OIBDA[1]	**77,536**	62,011	82,352	74,946	70,582
Operating margin[2]	**19.4%**	19.8%	22.8%	17.6%	17.2%
U.S. & International Logistics Segment					
Revenue	**221,844**	118,193	—	—	—
Direct operating expenses	**202,225**	107,555	—	—	—
Selling and administrative expenses	**13,877**	5,703	—	—	—
OIBDA[1]	**5,742**	4,935	—	—	—
Operating margin[2]	**2.6%**	4.1%	—	—	—

[1] *Effective January 1, 2019, the Corporation adopted IFRS 16 – Leases. As is permitted with this new standard, comparative information for previous years has not been restated.*
[2] *Refer to the section entitled "Other Financial Measures".*

Other Information

Years ended December 31 *($ thousands)* *(unaudited)*	2022	2021	2020	2019	2018*	2017	2016
Ratios – Operating							
Return on equity[1]	**17.0%**	8.1%	7.1%	8.0%	3.5%	6.7%	5.9%
Gross margin – percentage of revenue[2]	**28.6%**	28.6%	31.6%	28.8%	28.4%	28.7%	31.2%
Selling and administrative expenses – percentage of revenue	**12.1%**	12.6%	12.9%	13.1%	13.4%	13.6%	13.7%
Operating margin[3]	**16.5%**	16.0%	18.7%	15.7%	15.0%	15.1%	17.5%
Adjusted operating margin[4]	**16.5%**	14.8%	16.4%	15.7%	15.0%	15.1%	17.5%
Operating ratio[5]	**87.6%**	91.6%	90.5%	93.2%	92.2%	92.4%	90.7%
Financial Position							
Acid test ratio[6]	**1.37:1**	0.94:1	2.80:1	2.74:1	1.74:1	1.76:1	1.88:1
Property, plant and equipment	**$981,624**	$985,971	$939,107	$954,604	$965,683	$916,140	$948,540
Total assets	**$1,996,131**	$1,921,996	$1,717,936	$1,749,292	$1,645,852	$1,750,657	$1,873,027
Long-term debt (including current portion)	**$712,279**	$745,315	$607,872	$616,842	$512,185	$539,973	$695,697
Equity	**$973,397**	$888,664	$896,418	$917,921	$898,076	$989,731	$960,410
Debt-to-equity ratio[7]	**0.73:1**	0.84:1	0.68:1	0.67:1	0.57:1	0.55:1	0.72:1
Total net debt to operating cash flow[8]	**1.67:1**	2.52:1	2.10:1	2.30:1	2.46:1	2.40:1	2.37:1
Net cash from operating activities	**$262,970**	$197,967	$224,821	$170,653	$140,710	$142,085	$174,314
Share Data							
Net cash from operating activities per share	**$2.82**	$2.06	$2.23	$1.63	$1.35	$1.37	$1.76
Book value per share[9]	**$10.47**	$9.40	$9.26	$8.76	$8.57	$9.55	$9.27
Earnings (loss) per share (basic)[10]	**$1.70**	$0.75	$0.64	$0.69	$(0.42)	$0.63	$0.52
Price/earnings ratio[11]	**8.5**	15.5	17.0	13.4	37.0	25.0	38.1
Weighted number of shares outstanding (thousands)	**93,352**	96,069	100,624	104,825	104,274	103,654	99,165
Total shares outstanding (thousands)	**92,953**	94,532	96,852	104,825	104,825	103,654	103,654

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

NOTES:

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

TRANSACTIONS WITH RELATED PARTIES

Key Management Personnel Compensation

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

($ millions)	Years Ended December 31			
Category		**2022**		**2021**
Salaries and benefits (including profit share)	**$**	**2.2**	$	1.6
Share-based payments		**0.1**		—
Total	**$**	**2.3**	$	1.6

There are no outstanding amounts owing to or amounts receivable from directors and officers as at December 31, 2022 and 2021, with respect to the overall compensation program for the executives. As at December 31, 2022, directors and officers of Mullen Group collectively held 5,704,999 Common Shares (2021 – 5,590,625) representing 6.1 percent (2021 – 5.9 percent) of all Common Shares of the Corporation. As at December 31, 2022, directors and officers of Mullen Group held $4.9 million of the Debentures under the same terms and conditions as those issued to unrelated third parties. The majority of the Debentures outstanding at December 31, 2022, were held by Murray K. Mullen ($4.4 million). Other than these $4.9 million of Debentures, Mullen Group has no contracts with its key management personnel.

Related Party Transactions

During the year, we generated revenue of $7,367 (2021 – $8,650) and incurred expenses of $6,000 (2021 – nil) with entities that are related by virtue of David E. Mullen, a Board member having control or joint control over the other entities. There was no accounts receivable amounts due from these related parties as at December 31, 2022 and 2021.

During the year, we generated revenue of $4.9 million (2021 – $3.4 million), incurred expenses of $0.3 million (2021 – $0.2 million) and sold nil (2021 – $550,000) of property, plant and equipment with our equity investments, which are accounted for by the equity method of accounting. As at December 31, 2022, there was $1.8 million (2021 – $2.0 million) of accounts receivable amounts due from our equity investments, including debentures owing from Thrive Management Group Ltd. ("**Thrive**") at an interest rate of 10.0 percent per annum calculated and payable semi-annually that mature in 2023. There was $30,225 (2021 – $1,400) of accounts payable amounts due to equity investments at year end.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

For ease of reference, we have categorized the most significant risks identified by Mullen Group in the following three categories:

STRATEGIC RISKS:

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

FINANCIAL RISKS:

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

OPERATIONAL RISKS:

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

STRATEGIC RISKS:

Geopolitical Risks:

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

Risk Description & Trend

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

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

Potential Impact

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

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

Mitigation

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

Geopolitical Risks – General Economy:

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

Risk Description & Trend

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

Trend: After experiencing a significant decline in economic activity in 2020 due to COVID-19, economic activity in North America rebounded to near pre-pandemic levels in 2021 and continued to improve in 2022. Employment levels rebounded and there is yet again labour shortages in certain sectors including the transportation industry. Risks remain in regard to the future path of interest rates, inflation, labour shortages, decline in global free trade, tensions in the geopolitical and trade environment and there is economic uncertainty as a result of a potential for a global recession.

Potential Impact

General economic activity is the main driver of demand levels for our LTL, L&W and US 3PL segments. Uncertainty with regard to the health of the North American economy or trade patterns could have a material adverse effect on the operations of our LTL, L&W and US 3PL segments and, to a lesser degree, our S&I segment (to the extent that the economy affects commodity pricing with respect to oil and gas, in particular), and our overall financial condition.

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

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

Inflation may cause input costs to rise at a faster pace than rate increases, thereby negatively affecting operating margin[1]. Further, higher prices and higher fuel surcharges to our customers may cause some of our customers to consider alternatives.

Mitigation

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

[1] Refer to the section entitled "Other Financial Measures".

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

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

Risk Description & Trend

Approximately 10.0 percent of our revenue is directly related to oil and gas drilling activity and oil sands development in western Canada. As a service provider to the oil and gas industries we are reliant on the levels of capital expenditures made by oil and gas exploration and production companies ("**E&Ps**"). In our experience, the level of capital investment made by E&Ps is based on several factors including, but not limited to:

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

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

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

Further, the industry may become subject to new environmental regulations, which could negatively affect future capital expenditures. In addition to GHG emissions regulations, oil sands producers are subject to water use regulations, which may become more stringent and require additional capital in order to satisfy. To date, regulations relating to water use and management, have had no demonstrable or quantifiable negative effect on our business.

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

<u>Trend:</u> Over the course of 2022, we saw a recovery in oil prices and crude oil demand rebounded to nearly 100 million barrels per day during December 2022. Oil prices are expected to remain at or near recent levels, however, economic uncertainty and downside risks are always a consideration. More recently, the war in Ukraine has created instability in the global oil and gas industry and has demonstrated just how intertwined conventional oil and natural gas is to a properly functioning economic system. As such, it appears that the global transition to alternative energies will take more time than was initially envisioned, leaving countries to prioritize their energy needs with conventional and commercially available sources. As a result, investment in the oil and gas industry in western Canada is expected to be up from 2022. In the medium term, the LNG Canada project in Kitimat, British Columbia and the war in Ukraine may contribute to increased capital expenditures by E&Ps.

Potential Impact

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

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

Mitigation

To mitigate this risk and potential uncertainty we pivoted away from this industry and made investments in the more stable LTL, L&W and US 3PL segments. We also continually assess the requirements for further investments in our S&I segment and have diversified our operations within this segment itself.

In addition, we endeavour to ensure that our capital allocation, costs and pricing are appropriate for the anticipated level of oil and natural gas development. We also recognize the cyclical and volatile nature of drilling activity and mitigate the risks associated with this volatility as reasonably possible through the combination of a disciplined capital allocation process and a focus on maintaining long-term relationships with large-cap oil and gas companies.

Geopolitical Risk – Changes in the Legal Framework:

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

Risk Description:

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

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

Changes in tax laws may also adversely affect our results of operations and financial performance. Significant judgement is required in determining our provision for income taxes and various internal and external factors may have favorable or unfavorable effects on our future provision for income taxes, income taxes receivable and our effective income tax rate. These factors include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, changes in estimates of prior years' items, transfer pricing adjustments and changes in the overall mix of income among the different jurisdictions in which we operate. Furthermore, new accounting pronouncements or new interpretations of existing accounting pronouncements can have a material impact on our effective income tax rate and accordingly, our financial performance.

Additionally, Mullen Group has claimed and received benefits under certain COVID-19 Government Programs. Any material changes in the governing legislation, or administrative practice for a COVID-19 Program accessed by Mullen Group could cause an unanticipated obligation to repay that may negatively impact the results of operations and financial performance of Mullen Group.

Potential Impact

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

Mitigation

The diversity of our Business Units and our decentralized business model may diminish the effect that a change in the legal framework could have on Mullen Group as a whole. This diversification strategy has resulted in investment in several sectors of the economy, most notably in transportation and logistics, and oilfield services, as well as in many geographic regions. We monitor proposed legislative changes and participate with various industry associations in advocating for reasonable and non-disruptive regulatory changes. Further, we engage tax experts to provide advice and review our corporate tax and other filings returns as well as to evaluate changes in Regulations and how such changes may impact our tax obligations and consequential financial results.

E-Commerce and Supply Chain Evolution:

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

Risk Description & Trend

Disruptive technologies continue to change the structure of the North American economy due to the continuous growth of e-commerce. The use of web based and mobile technology is increasingly becoming the preferred method by consumers and retailers to both shop for and ship orders. As a result, supply chains have undergone enormous change with more frequent direct to consumer shipments replacing transportation from distribution centers to traditional retail stores. In addition, our organization is reliant on certain Information Technology ("**IT**") systems (see Information Technology and Cyber Security on page 58).

Trend: Containment measures implemented by governments caused an acceleration in e-commerce sales. E-commerce sales in Canada that averaged 13.6 percent of total retail sales in 2022 and represented a $109.3 billion industry as compared to $72.4 billion in 2021. This resulted in greater demand for LTL transportation and home delivery options.

Potential Impact

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

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

Mitigation

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

Acquisitions:

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

Risk Description & Trend

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

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

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

Trend: Opportunities for acquisitions continue. In 2022 we successfully acquired three new businesses for total cash consideration of $25.6 million and share consideration of $3.9 million as compared to six new businesses in 2021 for cash consideration of $207.5 million and share consideration of $14.7 million.

Potential Impact

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

- we may be unable to retain customers or key employees including drivers and Contractors;
- the business may not achieve anticipated revenue, earnings, or cash flows;
- we may be unable to integrate successfully and realize the anticipated economic, operational, and other benefits in a timely manner, which could result in substantial costs and delays;
- possible inconsistencies in or conflicts between standards, controls, procedures and policies among Mullen Group and the acquirees, and the need to implement standard company-wide financial, accounting, IT and other systems;
- we may have limited experience in the acquiree's market and may experience difficulties operating in its market;
- we may assume liabilities beyond our estimates or what was disclosed to us;
- the acquisition could disrupt our ongoing business, distract our management, and divert our resources; and
- we may incur indebtedness or issue additional Common Shares.

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

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

Mitigation

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

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

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

Competition:

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

Risk Description & Trend

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

Trend: Early 2022 saw continued recovery in North American freight volumes as well as rates. Further, port congestion and labour shortages led to supply chain disruptions resulting in pricing opportunities for carriers such as Mullen Group. As we closed out 2022 we experienced a decline in freight demand related to the trend of shippers and retailers rightsizing inventory levels within their overstocked warehouses and stores.

Potential Impact

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

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

Mitigation

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

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

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

FINANCIAL RISKS

Interest Rates:

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

Risk Description & Trend

We are susceptible to fluctuations in interest rates. Our Credit Facilities are priced at variable rates. To the extent we utilize our Credit Facilities we incur the risk of interest rates rising. Our Private Placement Debt, the Debentures and our Various Financing Loans are issued at fixed rates. The majority of our long-term debt, specifically $480.7 million, matures in 2024 and 2026.

Trend: At December 31, 2022, we had $712.3 million (2021 – $745.2 million) of borrowings at an average interest rate of 4.39 percent. In January 2022, the Bank of Canada provided guidance that the Bank expects that interest rates will need to increase in order to achieve the Bank of Canada's commitment to the 2.0 percent inflation target. Over the course of 2022, this inflation target was exceeded and now sits at 6.3 percent.

Potential Impact

Borrowings issued at fixed rates, like our Private Placement Debt, expose Mullen Group to fair value interest rate risk. The majority of our borrowings are issued at fixed rates, specifically $689.5 million of our $712.3 million are at fixed rates. Therefore, we are exposed to fair value interest rate risk on these borrowings that mature at various tenures. More specifically, we are susceptible to the opportunity costs associated with interest rate decreases on our fixed borrowings. In the event that we refinance our borrowings, there can be no guarantee we can borrow at our current average interest rate of 4.39 percent.

In the event that interest rates increase, the cost of borrowing under our Credit Facilities, to the extent that they are utilized, will increase. As an example, if fully drawn and interest rates increased by 1.0 percent on our $250.0 million Credit Facilities, we would incur additional annual interest expenses of approximately $2.5 million.

Mitigation

We do not hedge interest rates or have any interest rate swaps, but we have mitigated the negative risk of rising interest rates by financing most of our debt, specifically $689.5 million, at fixed rates.

Foreign Exchange Rates:

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

Risk Description & Trend

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

Trend: Foreign exchange rates between the U.S. and Canadian dollar remain volatile. During 2022 the exchange rate fluctuated between $0.7203 and $0.7833 closing the year at $0.7383 as compared to $0.7888 at December 31, 2021.

Potential Impact

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

At December 31, 2022, we also had U.S. dollar cash of $9.6 million, U.S. dollar trade receivables of $22.1 million and U.S. dollar trade payables and accrued liabilities of $16.3 million.

Mitigation

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

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

Investments:

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

Risk Description & Trend

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

Trend: In 2022 we recorded an increase in the fair value of investments of $0.1 million as compared to an increase of $1.2 million in 2021.

Potential Impact

Our investments in public companies are measured at fair value and have an initial cost of $11.5 million. At December 31, 2022, the fair value of these investments was $2.5 million.

We use the equity method to account for investments in private companies in which we have significant influence or joint control. At December 31, 2022, the carrying value of these investments totalled $43.1 million and consisted of the investments in Canol Oilfield Services Inc., Kriska Transportation Group Limited, Butler Ridge Energy Services (2011) Ltd. and Thrive Management Group Ltd.

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

Mitigation

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

Access to Financing:

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

Risk Description & Trend

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

Trend: At December 31, 2022, our debt covenant leverage ratio was 1.67:1 as compared to 2.52:1 in 2021.

Potential Impact

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

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

A decline in the broader credit or equity markets and additional volatility can also make it difficult for Mullen Group to access financing and may lead to an adverse impact on the profitability and operations of Mullen Group.

Mitigation

We manage our cash flows diligently to ensure that we maintain what we believe is a suitable level of liquidity and leverage. Our approach to managing liquidity is to ensure, to the extent possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions. Consistent with others in the industry, we monitor capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by shareholders' equity. Total debt is calculated as the total of: bank indebtedness, current portion of long-term debt, long-term debt, lease liabilities, the debt component of Debentures and various financing loans. Equity is comprised of share capital, convertible debentures – equity component, contributed surplus, accumulated other comprehensive income and retained earnings. The debt-to-equity ratio calculation at December 31, 2022, was 0.73:1 (2021 – 0.84:1).

Reliance on Major Customers:

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

Risk Description & Trend

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

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

Trend: In 2022 our top ten customers accounted for 10.0 percent of revenue (2021 – 12.5 percent), and the largest customer accounted for approximately 1.9 percent (2021 – 2.4 percent) of such revenue.

Potential Impact

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

Mitigation

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

Impairment of Goodwill or Intangible Assets:

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

Risk Description & Trend

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

Trend: At December 31, 2022, our goodwill and intangible assets accounted for $465.6 million, or 23.3 percent of our total assets as compared to $457.9 million, or 23.8 percent of total assets in 2021.

Potential Impact

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

Changes in government regulations, or economic or market conditions have resulted and may result in further substantial impairments of our goodwill or intangible assets. In 2018 Mullen Group recognized a $100.0 million goodwill impairment charge. As at December 31, 2022, we had goodwill of $366.0 million and intangible assets of $99.6 million. Our impairment testing in 2022 produced no indication of impairment. The results of our impairment evaluations, assumptions and sensitivities can be found on page 62.

Mitigation

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

Credit Risk:

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

Risk Description & Trend

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

Trend: At December 31, 2022, accounts receivable were $284.9 million comprised of $92.9 million within our LTL segment, $83.6 million within our L&W segment, $85.4 million within our S&I segment, $21.0 million within our US 3PL segment, and $2.0 million within the Corporate Office.

Potential Impact

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

Mitigation

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units' review consists of external ratings, when available, and in some cases bank and trade references. Our Corporate Office has established a credit policy under which new customers are analyzed for creditworthiness before credit is extended. Corporate Office monitors its trade and other receivables aging on an ongoing basis and communicates concerns to all of our Business Units as part of its process in managing its credit risk. We also manage credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. We also attend industry forums to assess credit worthiness of customers related predominately to the oil and gas industry. No individual customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2022 and 2021.

OPERATIONAL RISKS

Senior Management and Employees:

We depend on our senior management and employees to support our business operations and future growth opportunities. If our relationship with our employees deteriorates, if the health of our employees is impacted (e.g. COVID-19), or if we have difficulty attracting and retaining employees, we could be faced with labour inefficiencies, disruptions, work stoppages, or delayed growth, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Risk Description & Trend

The success of Mullen Group is dependent upon attracting and retaining key personnel. Any loss of the services of such persons could have a material adverse effect on our business, results of operations and financial condition. We anticipate that our ability to expand services will be dependent upon attracting additional qualified employees, which is constrained in times of strong industry activity and with the retirement of the older generations. Further, a pandemic such as COVID-19 can impact the health of our employees further impacting the availability of qualified employees.

Further, our senior management team and key employees are an important part of our business and success. A loss of senior management or key employees may result in loss of knowledge or relationships with key customers, which could have a material adverse effect on our business, results of operations and financial condition.

Trend:
At December 31, 2022, we employed approximately 7,100 employees, owner operators and dedicated subcontractors as compared to approximately 7,000 in 2021.

Potential Impact

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

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

Mitigation

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

Cost Escalation and Fuel Costs:

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

Risk Description & Trend

In 2022 the wholesale rack price of diesel fuel in Canada varied from a low of $0.95 per litre to $1.79 per litre and exited the year at $1.47 per litre. Cost escalations due to rising labour and other costs, the effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles, supply chain disruptions and national and regional economic conditions are factors over which we have little or no control. Of these costs, fuel represents a significant operating expense for us. Fuel prices fluctuate greatly due to factors beyond our control, such as global supply and demand for crude oil, political events, war, price and supply decisions by oil producing countries and cartels, terrorist activities, the depreciation of the Canadian dollar relative to other currencies, hurricanes and other natural disasters as well as fuel and carbon taxes.

These events may result in fuel shortages and disruptions in the fuel supply chain, in addition to increased fuel costs. Such shortages and supply disruptions could have material adverse effects on Mullen Group and its Business Units as a result of lost revenue or increased operational costs.

Trend: The average wholesale rack price of diesel fuel in Canada for 2022 was $1.40 per litre as compared to $0.8130 per litre in 2021.

Potential Impact

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

Mitigation

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

Potential Operating Risks and Insurance:

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

Risk Description & Trend

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

Trend: Our 2022 total recordable injury frequency rate, a leading indicator of operational excellence, was 2.93 as compared to 3.03 in 2021.

Potential Impact

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

Additionally, we have three Business Units that self-insure for physical damage to equipment. The total for self-insured physical damage as at December 31, 2022, as a percentage of revenue was 0.16 percent.

Mitigation

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

Information Technology and Cyber Security:

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

Risk Description

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

Potential Impact

Our IT systems may be susceptible to damage, disruptions or shutdowns due to: hardware failures, power outages, fire, natural disasters, telecommunications failure, internet failures, computer viruses, data breaches or attacks by computer hackers or malicious actors (including ransomware attacks), user errors or catastrophic events. Such failures or unauthorized access could disrupt our business and could result in the loss of confidential information, intellectual property, litigation, remediation costs, damage to our reputation and negatively impact our ability to service our customers. Any such loss, unauthorized access, disclosure of confidential information or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties. In addition, the cost and operational consequences of reinstituting our IT systems capabilities or implementing further data or system protection measures could be significant.

Mitigation

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

In addition, we have purchased cyber insurance coverage to assist with mitigating the unlikely risk that an outside threat gains access to our IT systems.

Business Continuity, Disaster Recovery and Crisis Management:

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

Risk Description

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

Potential Impact

A serious event could result in decreased revenue, as our ability to service our customers may be impeded. These events may also result in increased costs to operate our business, as a result of equipment repairs or increased rates of accidents, claims and other factors, which could have an adverse effect on our results of operations. In addition, a serious event may reduce our customers' needs for our services. All of which may have a material impact on Mullen Group's operational and financial performance.

Mitigation

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

Environmental Liability Risks:

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

Risk Description

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

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

Potential Impact

Failure to comply with an environmental law or regulation without regard to Mullen Group's knowledge of this failure, may impose civil and criminal penalties. Certain of our Business Units carry significant volumes of dangerous goods. This involves specific insurance requirements, training programs and appropriate permits with the various provinces and states in which our Business Units operate.

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

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

Mitigation

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

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

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

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

Weather and Seasonality:

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

Risk Description & Trend

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

Revenue and profitability within our LTL and our L&W segments are generally lower in the first quarter than during the remainder of the year as freight volumes are typically lower following the holiday season due to less consumer demand and customers reducing shipments.

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

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

Trend: In 2022, revenue, excluding the effect of acquisitions, was 18.7 percent of total annual revenue in the first quarter, 23.1 percent in the second quarter, 29.6 percent in the third quarter and 28.6 percent in the fourth quarter.

Potential Impact

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

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

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

Mitigation

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

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

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

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

Risk Description & Trend

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

Trend: In 2022, we saw supply chain disruptions impacting the availability of parts and materials which has led to longer lead times for the delivery of rolling stock.

Potential Impact

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

Mitigation

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

Regulation:

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

Risk Description

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

Potential Impact

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

Mitigation

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

Litigation:

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

Risk Description

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

Potential Impact

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

Mitigation

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

CRITICAL ACCOUNTING ESTIMATES

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

Impairment tests

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

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

Impairment of Goodwill

In general terms, goodwill represents the excess of the purchase price of a business combination over the net amount of identifiable assets acquired less the liabilities assumed. At December 31, 2022 and 2021 we performed our annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of our CGUs.

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

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

	Discount rate		Terminal value growth rate	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cash Generating Unit				
Gardewine Group Limited Partnership	**11.0%**	10.5%	**2.0%**	2.0%
Kleysen Group Ltd.	**11.0%**	10.5%	**2.5%**	2.5%
HAUListic LLC	**10.5%**	10.0%	**2.5%**	2.5%
APPS Cartage Inc.	**11.5%**	11.0%	**2.5%**	2.5%
Hi-Way 9 Express Ltd.	**11.5%**	11.0%	**2.5%**	2.5%
Heavy Crude Hauling L.P.	**12.5%**	12.0%	**2.0%**	2.0%
Tenold Transportation Ltd.	**11.5%**	11.0%	**2.5%**	2.5%
APPS Cargo Terminals Inc.	**11.5%**	11.0%	**2.5%**	2.5%
E-Can Oilfield Services L.P.	**12.5%**	12.0%	**2.0%**	2.0%
Canadian Dewatering L.P.	**12.5%**	12.0%	**2.5%**	2.5%
Others	**11.5% – 12.5%**	11.0% – 12.0%	**2.0% – 2.5%**	2.0% – 2.5%

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

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

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

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

	Change in discount rate		**Change in terminal value growth rate**	
	December 31, 2022	**December 31, 2021**	**December 31, 2022**	**December 31, 2021**
Cash Generating Unit				
Gardewine Group Limited Partnership	**6.7%**	4.0%	**(11.5)%**	(6.0)%
Kleysen Group Ltd.	**7.2%**	7.3%	**(12.9)%**	(13.1)%
HAUListic LLC	**20.0%+**	19.0%	**(20.0)%+**	(20.0)%+
APPS Cartage Inc.	**7.6%**	6.7%	**(13.7)%**	(11.2)%
Hi-Way 9 Express Ltd.	**20.0%+**	9.7%	**(20.0)%+**	(18.5)%
Heavy Crude Hauling L.P.	**7.5%**	1.7%	**(14.4)%**	(2.4)%
Tenold Transportation Ltd.	**20.0%+**	6.7%	**(20.0)%+**	(11.7)%
APPS Cargo Terminals Inc.	**20.0%+**	20.0%+	**(20.0)%+**	(20.0)%+
E-Can Oilfield Services L.P.	**1.8%**	4.2%	**(2.7)%**	(6.7)%
Canadian Dewatering L.P.	**8.2%**	6.3%	**(15.7)%**	(10.8)%

Intangible assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when an intangible asset or a business is acquired and then amortized on a straight-line basis over their estimated life. At December 31, 2022, intangible assets totalled \$99.6 million (2021 – \$99.2 million).

Acquisitions

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

Property, plant and equipment and intangible assets

Property, plant and equipment are initially recognized at cost and include all expenditures directly attributable to bringing the asset to its intended use. The method and rates used in calculating depreciation of property, plant and equipment is an estimate. We calculate depreciation of property, plant and equipment using the declining balance method for the majority of our assets. No other changes were made to the methods or rates we used to estimate depreciation expense on property, plant and equipment during the past two years. Property, plant and equipment are mainly comprised of trucks and trailers, land and buildings. The net book value of property, plant and equipment at December 31, 2022, was \$981.6 million (2021 – \$986.0 million).

We believe the methods and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last ten years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time. At December 31, 2022, the LTL segment had a carrying value of property, plant, and equipment of $169.5 million (2021 – $159.3 million), the L&W segment had a carrying value of $135.7 million (2021 – $132.4 million), the S&I segment had a carrying value of $177.5 million (2021 – $203.5 million) and the US 3PL segment had a carrying value of $1.0 million (2021 – $2.9 million). The carrying value of property, plant and equipment within the Corporate Office was $497.9 million at December 31, 2022 (2021 – $487.9 million).

Intangible assets are amortized on a straight line basis over a period of five to ten years. Mullen Group determines the length of the amortization period at the date of acquisition. The method used in determining the amortization period is based upon the anticipated present value of future cash flows generated from customer relationships purchased on acquisitions. At December 31, 2022, the LTL segment had a carrying value of intangible assets of $55.3 million (2021 – $57.8 million), the L&W segment had a carrying value of $20.2 million (2021 – $22.9 million), the S&I segment had a carrying value of $8.5 million (2021 – $2.2 million) and the US 3PL segment had a carrying value of $15.6 million (2021 – $16.3 million).

Derivative Financial Instruments

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

Trade and other receivables

Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are based on historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, we review external credit ratings as well as bank and trade references when available. At December 31, 2022, we recognized a reserve for bad debts of $10.3 million (2021 – $5.8 million) against total gross trade and other receivables of $295.2 million (2021 – $254.7 million).

Income Taxes

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

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by the IASB. The following outlines new amendments to accounting standards as issued by the IASB that are applicable to, or may have a future impact on Mullen Group.

IAS 12 – Income Taxes

Effective for annual periods beginning on or after January 1, 2023, IAS 12 – Income Taxes has been amended to separately recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

IAS 1 – Presentation of Financial Statements

Effective for annual periods beginning on or after January 1, 2024, IAS 1 – Presentation of Financial Statements has been amended to clarify how to classify debt and other liabilities as either current or non-current.

The Corporation has assessed the impact of these amendments on future periods and does not expect a material impact on the consolidated financial statements at the adoption date.

Changes in Accounting Policies

There have been no changes to our accounting policies in 2022.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at December 31, 2022, 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 Senior Executive Officer ("**SEO**"), acting in the capacity of the Chief Executive Officer and the Senior Accounting Officer ("**SAO**"), acting in the capacity of the Chief Financial Officer. Based on this evaluation, the SEO and the SAO concluded that, as at December 31, 2022, the design and operation of Mullen Group's disclosure controls and procedures were effective.

Internal control over financial reporting is a process designed by or under the supervision of management and effected by the Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, no matter how well designed, has inherent limitations and can provide only reasonable assurance with respect to the preparation and fair presentation of published financial statements. Under the supervision and with the participation of the SEO and SAO, management conducted an evaluation of the effectiveness of its internal control over financial reporting as at December 31, 2022.

Based on this evaluation, the SEO and the SAO concluded that internal control over financial reporting was effective as at December 31, 2022, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. We utilize the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. As at December 31, 2022, there was no change in our design of 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 intention to pay annual dividends of $0.72 per Common Share ($0.06 per Common Share on a monthly basis) for 2023, as referred to in Objective – Maximize Shareholder Value within the Mullen Group At A Glance section beginning on page 5. This forward-looking statement is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the dividend.
- Mullen Group's 2023 plan; to acquire companies and strive to improve their performance; to request approval from the TSX in March 2023 to renew the NCIB; to set the 2023 annual dividend at $0.72 per Common Share ($0.06 per Common Share on a monthly basis); and to invest $85.0 million in capital expenditures in 2023 with $70.0 million allocated towards maintenance capital primarily to invest in trucks, trailers, specialized equipment and technology to improve the operations of the Business Units and $15.0 million allocated to our sustainability initiatives, as referred to in the Allocating Shareholder Capital section beginning on page 11. These forward-looking statements are based on the assumption that we will generate sufficient cash in excess of our financial obligations to support our 2023 plan.
- Mullen Group's comment that we have the balance sheet and liquidity to pursue additional growth opportunities and that we expect to be more active on the acquisition front than last year, as referred to in the Outlook within the 2022 Consolidated Financial Results section beginning on page 16. This forward-looking statement is based on the assumption that we will be successful in identifying, negotiating and transacting on acquisitions that meet our strategic financial and operational objectives.
- Mullen Group's comment that we do not expect 2023 to be as good as last year, as referred to in the Outlook within the 2022 Consolidated Financial Results section beginning on page 16. This forward-looking statement is based on the assumption that changing market conditions, higher interest rates, and inflation will undoubtedly impact overall consumer activity and freight demand, negatives for our business. And while it is difficult to accurately predict the extent of any economic slowdown, early indications suggest that the labour markets remain quite robust, a major factor influencing consumer spending. Under this scenario it is our view that consumers will simply adjust spending trends, but the declines will not be significant. As such, we only expect a slight softening in overall freight demand. In addition, there are positive signs that drilling activity and capital investment in the energy industry will increase year over year, a positive for the S&I segment. For these reasons we remain constructive for 2023, expecting revenues to remain close to last year. Profitability, however, will be negatively impacted if pricing pressures emerge, an outcome we anticipate as higher interest rates take a toll on economic growth.

- Mullen Group's comment that we anticipate freight volumes to moderate in 2023, as referred to in the LTL segment Market Outlook beginning on page 25. This forward-looking statement is based on the assumption that central bank authorities continue to pursue a policy of higher interest rates and consumer spending is impacted by inflationary pressures. Within this macro environment our strategy shifts to controlling costs and improving productivity, initiatives we believe will allow our Business Units to maintain margins consistent with 2022. Acquisitions in this segment remain a strategic focus and priority, as we continue to look to add scale.
- Mullen Group's comment that we anticipate the L&W segment to generate another year of solid results in 2023, as referred to in the L&W segment Market Outlook beginning on page 28. This forward-looking statement is based on the assumption that due to the nature of the services provided by our 12 Business Units, an expectation that the western Canadian economy will benefit from investment in energy and mining related projects, and the potential rebound in freight demand as suppliers look to restock inventory levels at some point during the year. We will also consider acquisitions that compliment current service offerings.
- Mullen Group's comment that we believe the S&I segment can maintain revenues and profitability in 2023 and we maintain a positive outlook for the majority of the Business Units in the segment, with the only exception being our Premay Pipeline Hauling group, as major pipeline activity in western Canada nears completion, as referred to in the S&I segment Market Outlook beginning on page 31. This forward-looking statement is based on our indications that the oil and natural gas industry will continue to increase drilling programs this year, potentially reaching new cycle highs in 2023. There is also growing pressure on the industry to allocate new capital towards long term projects that meet evolving ESG benchmarks. Capital investment in construction projects, along with dewatering and water management services, are expected to remain consistent with last year. In addition, acquisition opportunities are starting to look very attractive from a valuation perspective. We will consider investments in this segment that can enhance margins and be integrated into our current service offerings.
- Mullen Group's expectation that revenue and profitability in the US 3PL segment will be negatively affected in 2023. Nevertheless, we still believe HAUListic will be profitable, as referred to in the US 3PL segment Market Outlook beginning on page 34. This forward-looking statement is based on the assumption that revenue and profitability will be negatively affected by lower business activity and overall freight demand due to the slowing economy and the inventory rebalancing by shippers and retailers. We still believe HAUListic will be profitable due to the nature of the non-asset 3PL business, as contractors are pressured to reduce rates with demand falling. We remain committed to enhancing our proprietary technology platform, SilverExpress™, a transportation management software and digital marketplace, an investment we believe offers the best opportunity for HAUListic to grow in the non-asset 3PL marketplace.
- Mullen Group's intention to use working capital, the Credit Facilities and the anticipated cash flow from operating activities in 2023 to finance its ongoing working capital requirements, the 2023 dividend, the 2023 capital budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 37. This forward-looking statement is based on our belief that our access to cash will exceed our expected requirements.

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

Forward-looking statements address future events and conditions and, therefore, involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. 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 Corporation's issuer profile on SEDAR 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.

NON-IFRS FINANCIAL MEASURES

The Annual Financial Statements attached and referred to in this MD&A were prepared according to IFRS. References to Adjusted OIBDA, adjusted operating margin, net income – adjusted, earnings per share – adjusted, net revenue and consolidated direct operating expenses – adjusted for CEWS and HAUListic are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS. 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-IFRS 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 IFRS. Investors are cautioned that these indicators should not replace the foregoing IFRS terms: net income, earnings per share and debt revenue.

Adjusted OIBDA

Adjusted OIBDA is a Non-IFRS term and is calculated by subtracting CEWS from OIBDA. Management calculates Adjusted OIBDA by excluding CEWS to more clearly reflect earnings from an operating perspective.

(unaudited) *($ millions)*	**Three month periods ended December 31**		**Years ended December 31**	
	2022	**2021**	**2022**	**2021**
OIBDA	**$ 77.6**	$ 65.8	**$ 329.9**	$ 236.4
CEWS	**—**	(5.2)	**—**	(17.7)
Adjusted OIBDA	**$ 77.6**	$ 60.6	**$ 329.9**	$ 218.7

Adjusted OIBDA by Segment

(unaudited) *($ millions)*	**Three month period ended December 31**						**Year ended December 31**					
	2022						**2022**					
	Revenue	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**	**Revenue**	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
LTL	**190.8**	**133.1**	**25.9**	**31.8**	**—**	**31.8**	**778.7**	**536.8**	**103.5**	**138.4**	**—**	**138.4**
L&W	**153.8**	**106.1**	**17.3**	**30.4**	**—**	**30.4**	**609.3**	**422.8**	**67.4**	**119.1**	**—**	**119.1**
S&I	**108.0**	**78.5**	**10.4**	**19.1**	**—**	**19.1**	**400.6**	**283.9**	**39.2**	**77.5**	**—**	**77.5**
US 3PL	**52.6**	**48.0**	**3.7**	**0.9**	**—**	**0.9**	**221.8**	**202.2**	**13.9**	**5.7**	**—**	**5.7**
Other[1]	**(2.5)**	**(4.0)**	**6.1**	**(4.6)**	**—**	**(4.6)**	**(10.9)**	**(17.8)**	**17.7**	**(10.8)**	**—**	**(10.8)**
Total	**502.7**	**361.7**	**63.4**	**77.6**	**—**	**77.6**	**1,999.5**	**1,427.9**	**241.7**	**329.9**	**—**	**329.9**

[1] *consists of Corporate and intersegment eliminations.*

(unaudited) *($ millions)*	**Three month period ended December 31**						**Year ended December 31**					
	2021						**2021**					
	Revenue	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**	**Revenue**	**DOE**	**S&A**	**OIBDA**	**CEWS**	**Adjusted OIBDA**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
LTL	168.8	119.1	23.5	26.2	(0.5)	25.7	585.3	411.1	78.3	95.9	(2.0)	93.9
L&W	131.8	93.5	14.2	24.1	(0.8)	23.3	465.6	327.3	51.8	86.5	(3.1)	83.4
S&I	82.0	57.6	8.2	16.2	(3.9)	12.3	313.4	218.6	32.8	62.0	(12.6)	49.4
US 3PL	61.2	55.8	3.4	2.0	—	2.0	118.2	107.5	5.8	4.9	—	4.9
Other[1]	(1.9)	(3.0)	3.8	(2.7)	—	(2.7)	(5.1)	(9.1)	16.9	(12.9)	—	(12.9)
Total	441.9	323.0	53.1	65.8	(5.2)	60.6	1,477.4	1,055.4	185.6	236.4	(17.7)	218.7

[1] *consists of Corporate and intersegment eliminations.*

Adjusted Operating Margin

Adjusted operating margin is a non-IFRS ratio and is defined as Adjusted OIBDA divided by revenue. Management relies on adjusted operating margin as a measurement since it provides an indication of our ability to generate an appropriate return without CEWS.

(unaudited) *($ millions)*	Three month periods ended December 31				Years ended December 31			
		2022		**2021**		**2022**		**2021**
Adjusted OIBDA	**$**	**77.6**	$	60.6	**$**	**329.9**	$	218.7
Revenue	**$**	**502.7**	$	441.9	**$**	**1,999.5**	$	1,477.4
Adjusted operating margin		**15.4%**		13.7%		**16.5%**		14.8%

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, the gain on fair value of equity investment, the loss on sale of non-core business and the gain on contingent consideration. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective.

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended December 31			Years ended December 31		
		2022	2021		**2022**	2021
Income before income taxes	**$**	**76.6**	27.5	**$**	**210.9**	96.0
Add (deduct):						
Net foreign exchange (gain) loss		**(2.1)**	0.8		**10.8**	(0.7)
Change in fair value of investments		**(0.4)**	(0.4)		**(0.1)**	(1.2)
Gain on fair value of equity investment		**(2.8)**	—		**(2.8)**	—
Loss on sale of non-core business		**0.1**	—		**0.1**	—
Gain on contingent consideration		**—**	—		**—**	(0.2)
Income before income taxes – adjusted		**71.4**	27.9		**218.9**	93.9
Income tax rate		**25%**	25%		**25%**	25%
Computed expected income tax expense		**(17.8)**	(7.0)		**(54.7)**	(23.5)
Net income – adjusted		**53.6**	20.9		**164.2**	70.4
Weighted average number of Common Shares outstanding – basic		**92,930,386**	95,364,667		**93,351,897**	96,068,715
Earnings per share – adjusted	**$**	**0.58**	0.22	**$**	**1.76**	0.73

Net Revenue

Net revenue is calculated by subtracting DOE (primarily comprised of expenses associated with the use of Contractors) from revenue. Management calculates and measures net revenue within the US 3PL segment as it provides an important measurement in evaluating our financial performance and it provides an indication of our ability to generate an appropriate return in the 3PL market.

(unaudited) *($ millions)*	Three month periods ended December 31				Years ended December 31			
		2022		**2021**		**2022**		**2021**
Revenue	**$**	**52.6**	$	61.2	**$**	**221.8**	$	118.2
Direct operating expenses		**(48.0)**		(55.8)		**(202.2)**		(107.5)
Net Revenue	**$**	**4.6**	$	5.4	**$**	**19.6**	$	10.7

Consolidated Direct Operating Expenses – Adjusted for CEWS and HAUListic

Consolidated Direct Operating Expenses – Adjusted for CEWS and HAUListic is calculated by subtracting DOE CEWS and HAUListic's DOE from consolidated DOE. HAUListic is a non-asset based 3PL provider that generates lower margins than our asset based Business Units. Management excludes HAUListic's DOE to measure the financial performance of our asset based Business Units. Management uses this calculation to assess DOE as a percentage of revenue as it provides an indication of our ability to generate an appropriate return without CEWS and HAUListic's DOE as it provides an indication of our ability to generate an appropriate return as compared to the associated risk and the amount of assets employed.

(unaudited) *($ millions)*	Three month periods ended December 31						Years ended December 31					
	2022		2021		Change		2022		2021		Change	
	$	%	$	%	$	%	$	%	$	%	$	%
Company	**234.0**	**69.5**	201.1	69.6	32.9	16.4	**907.0**	**68.5**	692.0	68.7	215.0	31.1
CEWS	**—**	**—**	3.9	1.3	(3.9)	(100.0)	**—**	**—**	13.1	(1.3)	(13.1)	(100.0)
HAUListic	**(0.2)**	**—**	(0.1)	—	(0.1)	100.0	**(0.9)**	**(0.1)**	(0.2)	—	(0.7)	350.0
Company – adjusted	**233.8**	**69.5**	204.9	70.9	28.9	14.1	**906.1**	**68.4**	704.9	70.0	201.2	28.5
Contractors	**127.7**	**77.8**	121.9	80.6	5.8	4.8	**520.9**	**78.1**	363.4	78.6	157.5	43.3
HAUListic	**(47.8)**	**(6.1)**	(55.7)	(7.0)	7.9	(14.2)	**(201.3)**	**(6.3)**	(107.3)	(4.2)	(94.0)	87.6
Contractors – adjusted	**79.9**	**71.7**	66.2	73.6	13.7	20.7	**319.6**	**71.8**	256.1	74.4	63.5	24.8
Total – adjusted	**313.7**	**70.0**	271.1	71.2	42.6	15.7	**1,225.7**	**68.9**	961.0	70.7	264.7	27.5

OTHER FINANCIAL MEASURES

Other financial measures consist of supplementary financial measures and capital management measures.

Supplementary Financial Measures

Supplementary financial measures are financial measures disclosed by a company that (a) are, or are intended to be, disclosed on a periodic basis to depict the historical or expected future financial performance, financial position or cash flow of a company, (b) are not disclosed in the financial statements of a company, (c) are not non-IFRS financial measures, and (d) are not non-IFRS ratios. The following are supplementary financial measures disclosed by the Corporation.

Operating Margin

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

(unaudited) *($ millions)*	Three month periods ended December 31		Years ended December 31	
	2022	2021	2022	2021
OIBDA	**$ 77.6**	$ 65.8	**$ 329.9**	$ 236.4
Revenue	**$ 502.7**	$ 441.9	**$ 1,999.5**	$ 1,477.4
Operating margin	**15.4%**	14.9%	**16.5%**	16.0%

Net Capital Expenditures

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

(unaudited) *($ millions)*	Three month periods ended December 31		Years ended December 31	
	2022	**2021**	**2022**	**2021**
Purchase of property, plant and equipment	**$ 32.3**	$ 30.5	**$ 81.4**	$ 68.2
Proceeds on sale of property, plant and equipment	**(35.8)**	(3.2)	**(48.6)**	(20.7)
Net capital expenditures	**$ (3.5)**	$ 27.3	**$ 32.8**	$ 47.5

Cash Flow per Share

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

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended December 31		Years ended December 31	
	2022	**2021**	**2022**	**2021**
Net cash from operating activities	**$ 100.5**	$ 65.8	**$ 263.0**	$ 198.0
Weighted average number of Common Shares outstanding	**92,930,386**	95,364,667	**93,351,897**	96,068,715
Cash flow per share	**$ 1.08**	$ 0.69	**$ 2.82**	$ 2.06

Capital Management Measures

Capital management measures are financial measures disclosed by a company that (a) are intended to enable users to evaluate a company's objectives, policies and processes for managing the entity's capital, (b) are not a component of a line item disclosed in the primary financial statements of the company, (c) are disclosed in the notes of the financial statements of the company, and (d) are not disclosed in the primary financial statements of the company. The Corporation has disclosed the following capital management measure.

Total Net Debt

The term "*total net debt*" means all debt excluding the Debentures but includes the Private Placement Debt, lease liabilities, the Credit Facilities and letters of credit less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. Total net debt is defined within our Private Placement Debt Agreement and is used to calculate our total net debt to operating cash flow covenant. Management calculates and discloses total net debt to provide users of this MD&A with an understanding of how our debt covenant is calculated.

(unaudited) *($ millions)*	**December 31, 2022**
Private Placement Debt	**$ 480.7**
Lease liabilities (including the current portion)	**91.9**
Bank indebtedness	**22.8**
Letters of credit	**3.9**
Long-term debt (including the current portion)	**1.1**
Total debt	**600.4**
Less: unrealized gain on Cross-Currency Swaps	**(46.4)**
Add: unrealized loss on Cross-Currency Swaps	—
Total net debt	**$ 554.0**

Mullen Group Ltd.

DECEMBER 31, 2022

ANNUAL FINANCIAL REPORT

Independent auditor's report

To the Shareholders of Mullen Group Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Mullen Group Ltd. and its subsidiaries (together, the Corporation) as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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

- the consolidated statements of financial position as at December 31, 2022 and 2021;
- the consolidated statements of income and comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill of certain cash generating units (CGUs) in the Specialized and Industrial Services segment *Refer to note 2d – Basis of presentation - Use of estimates and judgments, note 3 – Significant accounting policies and note 11 – Goodwill to the consolidated financial statements.* The Corporation had a carrying value of $366.0 million of goodwill as at December 31, 2022, of which $72.8 million related to the Specialized and Industrial Services segment. Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. An impairment loss is recognized if the carrying amount of a CGU to which the goodwill relates exceeds its recoverable amount. The recoverable amounts of certain CGUs in the Specialized and Industrial Services segments were based on a value in use method using discounted cash flow (DCF) models. The DCF models reflect the specifics of each CGU and its business environment and the models calculate the present value of the estimated future earnings of each CGU. Key assumptions used in the DCF models included terminal value growth rates, revenue growth rates and discount rates. We considered this a key audit matter due to the judgments made by management in determining the recoverable amounts of certain CGUs within the Specialized and Industrial Services segment, including the use of key assumptions. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures to	Our approach to addressing the matter involved the following procedures, among others: • Evaluated how management determined the recoverable amounts of the goodwill for certain CGUs in the Specialized and Industrial Services segment, which included the following: − Tested the appropriateness of the method and DCF models and tested the mathematical accuracy thereof. − Tested the underlying data used in the DCF models. − Tested the reasonableness of the revenue growth rates by considering management's strategic plans approved by the Board, industry growth rates and available third party published economic data. − Professionals with specialized skill and knowledge in the field of valuation assisted in assessing the reasonableness of the terminal value growth rates and discount rates applied by management. • Tested the disclosures made in the consolidated financial statements, particularly on the sensitivity of the terminal value growth rates and discount rates.

Key audit matter	How our audit addressed the key audit matter
test the key assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
February 8, 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands)	Note		December 31 2022		December 31 2021
Assets					
Current assets:					
Cash and cash equivalents	**6**	**$**	**8,757**	$	—
Trade and other receivables	**7**		**284,899**		248,868
Inventory	**8**		**42,035**		35,121
Prepaid expenses			**19,107**		19,074
Current tax receivable			**5,526**		6,046
			360,324		309,109
Non-current assets:					
Property, plant and equipment	**9**		**981,624**		985,971
Right-of-use assets	**10**		**87,756**		78,032
Goodwill	**11**		**365,995**		358,726
Intangible assets	**12**		**99,624**		99,155
Investments	**13**		**45,570**		38,518
Deferred tax assets	**18**		**6,699**		9,630
Derivative financial instruments	**14**		**46,436**		37,392
Other assets	**15**		**2,103**		5,463
			1,635,807		1,612,887
Total Assets		**$**	**1,996,131**	$	1,921,996
Liabilities and Equity					
Current liabilities:					
Bank indebtedness	**21**	**$**	**22,800**	$	89,045
Accounts payable and accrued liabilities	**16**		**151,023**		144,198
Dividends payable	**17**		**5,577**		3,781
Current tax payable			**19,386**		3,338
Lease liabilities – current portion	**19**		**20,992**		17,890
Current portion of long-term debt	**21**		**213**		54
			219,991		258,306
Non-current liabilities:					
Convertible debentures – debt component	**20**		**115,806**		113,458
Long-term debt	**21**		**481,597**		461,505
Lease liabilities	**19**		**70,871**		63,363
Asset retirement obligations			**1,549**		1,616
Deferred tax liabilities	**18**		**132,920**		135,084
			802,743		775,026
Equity:					
Share capital	**22**		**845,267**		853,614
Convertible debentures – equity component	**20**		**9,116**		9,116
Contributed surplus			**18,619**		22,578
Accumulated other comprehensive income			**2,868**		1,088
Retained earnings			**97,527**		2,268
			973,397		888,664
Subsequent events	**36**				
Total Liabilities and Equity		**$**	**1,996,131**	$	1,921,996

The notes which begin on page 81 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on February 8, 2023, after review by the Audit Committee.

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

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

CONSOLIDATED STATEMENT OF INCOME

(thousands, except per share amounts)	Note	Years ended December 31 2022	2021
Revenue	**24**	**$ 1,999,453**	$ 1,477,434
Direct operating expenses		**1,427,939**	1,055,392
Selling and administrative expenses		**241,625**	185,664
Operating income before depreciation and amortization		**329,889**	236,378
Depreciation of property, plant and equipment	**9**	**71,122**	73,211
Depreciation of right-of-use assets	**10**	**24,189**	17,862
Amortization of intangible assets	**12**	**17,202**	22,891
Finance costs	**26**	**35,043**	30,381
Net foreign exchange loss (gain)	**14**	**10,787**	(723)
Other (income) expense	**28**	**(39,335)**	(3,239)
Income before income taxes		**210,881**	95,995
Income tax expense	**18**	**52,262**	23,559
Net income		**$ 158,619**	$ 72,436
Earnings per share:	**23**		
Basic		**$ 1.70**	$ 0.75
Diluted		**$ 1.62**	$ 0.75
Weighted average number of Common Shares outstanding:	**23**		
Basic		**93,352**	96,069
Diluted		**102,407**	96,130

The notes which begin on page 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands)	Years ended December 31 2022	2021
Net income	**$ 158,619**	$ 72,436
Other comprehensive income		
Items that may be reclassified subsequently to statement of income		
Exchange differences from translating foreign operations	**1,780**	1,088
Other comprehensive income, net of tax	**1,780**	1,088
Total comprehensive income	**$ 160,399**	$ 73,524

The notes which begin on page 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(*thousands*)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Accumulated Other Comprehensive Income	Retained earnings	Total
Balance at January 1, 2022		**$ 853,614**	**$ 9,116**	**$ 22,578**	**$ 1,088**	**$ 2,268**	**$ 888,664**
Net income for the period		**—**	**—**	**—**	**—**	**158,619**	**158,619**
Other comprehensive income, net of tax		**—**	**—**	**—**	**1,780**	—	**1,780**
Common Shares repurchased	**22**	**(12,219)**	**—**	**(4,702)**	**—**	—	**(16,921)**
Common Shares issued on acquisition	**5**	**3,872**	**—**	**—**	**—**	—	**3,872**
Stock-based compensation expense		**—**	**—**	**743**	**—**	—	**743**
Dividends declared to common shareholders	**17**	**—**	**—**	**—**	**—**	**(63,360)**	**(63,360)**
Balance at December 31, 2022		**$ 845,267**	**$ 9,116**	**$ 18,619**	**$ 2,868**	**$ 97,527**	**$ 973,397**

(*thousands*)	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Accumulated Other Comprehensive Income	Retained earnings (deficit)	Total
Balance at January 1, 2021		$ 874,888	$ 9,116	$ 36,577	$ —	$ (24,163)	$ 896,418
Net income for the period		—	—	—	—	72,436	72,436
Other comprehensive income, net of tax		—	—	—	1,088	—	1,088
Common Shares repurchased	**22**	(35,951)	—	(14,378)	—	—	(50,329)
Common Shares issued on acquisition	**5**	14,677	—	—	—	—	14,677
Stock-based compensation expense		—	—	379	—	—	379
Dividends declared to common shareholders	**17**	—	—	—	—	(46,005)	(46,005)
Balance at December 31, 2021		$ 853,614	$ 9,116	$ 22,578	$ 1,088	$ 2,268	$ 888,664

The notes which begin on page 81 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands)	Note	Years ended December 31 2022	2021
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 158,619**	$ 72,436
Adjustments for:			
Depreciation and amortization		**112,513**	113,964
Finance costs	**26**	**35,043**	30,381
Stock-based compensation expense		**743**	379
Foreign exchange (gain) loss on cross-currency swaps	**14**	**(9,044)**	514
Foreign exchange loss (gain)		**20,498**	145
Other (income) expense	**28**	**(39,335)**	(3,239)
Income tax expense	**18**	**52,262**	23,559
Cash flows from operating activities before non-cash working capital items		**331,299**	238,139
Changes in non-cash working capital items from operating activities	**33**	**(28,854)**	(5,615)
Cash generated from operating activities		**302,445**	232,524
Income tax paid		**(39,475)**	(34,557)
Net cash from operating activities		**262,970**	197,967
Cash flows from financing activities:			
Bank indebtedness	**21**	**(66,245)**	89,045
Repurchase of Common Shares	**22**	**(22,921)**	(44,329)
Cash dividends paid to common shareholders		**(61,564)**	(45,130)
Interest paid		**(32,759)**	(28,282)
Repayment of long-term debt and loans	**21**	**(8,532)**	(54)
Repayment of lease liabilities	**19**	**(23,264)**	(17,526)
Changes in non-cash working capital items from financing activities	**33**	**148**	(9)
Net cash used in financing activities		**(215,137)**	(46,285)
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(25,573)**	(207,531)
Purchase of property, plant and equipment		**(81,410)**	(68,204)
Proceeds on sale of property, plant and equipment		**48,604**	20,746
Proceeds on sale of non-core business	**28**	**16,500**	—
Interest received		**395**	422
Net investment in finance leases		**255**	1,013
Other assets		**3,422**	(3,518)
Dividends from equity investees		**490**	99
Changes in non-cash working capital items from investing activities	**33**	**324**	1,379
Net cash used in investing activities		**(36,993)**	(255,594)
Change in cash and cash equivalents		**10,840**	(103,912)
Cash and cash equivalents at January 1		**—**	105,340
Effect of exchange rate fluctuations on cash held		**(2,083)**	(1,428)
Cash and cash equivalents at December 31	**6**	**$ 8,757**	$ —

The notes which begin on page 81 are an integral part of these consolidated financial statements.

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

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

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

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

Note	Topic	Page	Note	Topic	Page
6	Cash and cash equivalents	90	16	Accounts payable and accrued liabilities	99
7	Trade and other receivables	91	18	Income taxes	99
8	Inventory	92	19	Lease Liabilities	102
9	Property, plant and equipment	92	20	Convertible Unsecured Subordinated Debentures	104
11	Goodwill	94	23	Earnings per share	106
12	Intangible assets	97	27	Share-based compensation plans	110
14	Derivative Financial Instruments	97	34	Operating segments	118

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

Judgements

(i) Impairment Tests

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

<u>*Estimates*</u>

(i) Acquisitions

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

(ii) Impairment Tests

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

3. Significant Accounting Policies

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

(a) Basis of Consolidation

These Annual Financial Statements include the accounts of Mullen Group, its subsidiaries and its limited partnerships. The financial statements of such subsidiaries and limited partnerships controlled by Mullen Group are included in these Annual Financial Statements from the date that control commenced until the date that control ceases. Control is achieved when the Corporation is exposed to, or has rights to, variable returns from its subsidiaries and limited partnerships and has the ability to affect those returns through its power to direct their activities. The accounting policies of subsidiaries and limited partnerships are the same as those of the Corporation. For the year ended December 31, 2022, the scope of consolidation for these Annual Financial Statements encompassed 99 entities, of which two were a first time consolidation. The first time consolidations were a result of the acquisitions of 1297683 Alberta Ltd. operating as Willy's Trucking Service ("**Willy's**") and Cordova Oilfield Services Ltd. ("**Cordova**"). During 2022, seven entities ceased existence due to internal corporate reorganizations.

(b) Changes in Accounting Policies

There have been no changes to the Corporation's accounting policies in 2022.

(c) New Standards and Interpretations not yet adopted

Mullen Group has reviewed new and revised standards and interpretations that have been approved by the IASB. The following outlines new amendments to accounting standards as issued by the IASB that are applicable to, or may have a future impact on Mullen Group.

<u>*IAS 12 – Income Taxes*</u>

Effective for annual periods beginning on or after January 1, 2023, IAS 12 – Income Taxes has been amended to separately recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

<u>*IAS 1 – Presentation of Financial Statements*</u>

Effective for annual periods beginning on or after January 1, 2024, IAS 1 – Presentation of Financial Statements has been amended to clarify how to classify debt and other liabilities as either current or non-current.

The Corporation has assessed the impact of these amendments on future periods and does not expect a material impact on the consolidated financial statements at the adoption date.

(d) Investment Properties

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

(e) Foreign Currency

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

The financial statements for each of the Business Units are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. The presentation and functional currency of Mullen Group is Canadian dollars. The functional currency of HAUListic LLC ("**HAUListic**"), a U.S. based third-party logistics provider is U.S. dollars. Assets and liabilities of foreign operations are translated into Canadian dollars at the market rates prevailing at the balance sheet date. Operating results are translated at the average rates for the period. Exchange differences arising on the consolidation of the net assets of foreign operations are recorded in other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the transaction date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the consolidated statement of income.

(f) Impairment of Assets

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

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

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

(g) Financial Instruments

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

(ii) *Non-Derivative Financial Assets*

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

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

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

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

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

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

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

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

(iii) *Non-Derivative Financial Liabilities*

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

(1) Includes $1.0 million of contingent consideration which is subsequently measured at fair value.

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

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

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

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

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

(iv) *Derivative Financial Instruments*

Derivatives consist of financial contracts that derive their value from underlying changes in foreign exchange rates, interest rates, credit spreads or other financial measures. Mullen Group uses Derivatives such as Cross-Currency Swaps (as hereafter defined on page 97) as part of its foreign exchange risk management strategy. Derivatives are measured initially at fair value. Subsequent to initial recognition, Derivatives are measured at FVTPL and are recorded in the statement of comprehensive income. Mullen Group has not designated any Derivatives as hedges for accounting purposes.

(v) Asset Retirement Obligations

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

(vi) Equity

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

(h) Provisions

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

(i) Finance costs

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

(j) Employee Benefits

(i) Short-Term Employee Benefits

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

(k) Acquisitions

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

If the initial accounting for a business combination has not been finalized by the end of the reporting period in which the combination occurs, Mullen Group reports estimated amounts. These estimated amounts are adjusted retrospectively during the measurement period to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

(l) Government Subsidies

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

Supporting information: In 2021, the Corporation qualified for the Canada Emergency Wage Subsidy ("**CEWS**") program and recognized $17.7 million as a reduction to wage expense. In 2021, $13.1 million and $4.6 million was allocated to direct operating expenses and administrative expenses, respectively. The Corporation did not recognize any amounts from the CEWS program in 2022.

4. Determination of Fair Values

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

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

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

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

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

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

(a) Trade and Other Receivables

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

(b) Property, Plant and Equipment

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

(c) Intangible Assets

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

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

(d) Investments

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

(e) Derivative Financial Instruments

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

(f) Accounts Payable and Accrued Liabilities

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

(g) Non-Derivative Financial Liabilities

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

(h) Private Placement Debt

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

(i) Convertible debentures – debt component

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

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

Fair Values Versus Carrying Amounts

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

December 31, 2022 **Financial Instrument**		**Carrying Amount**		**Fair Value**
Cash and cash equivalents	**$**	**8,757**	**$**	**8,757**
Trade and other receivables		**284,899**		**284,899**
Investments (excluding investments accounted for by using the equity method)		**2,515**		**2,515**
Other assets		**2,103**		**2,103**
Total financial assets	**$**	**298,274**	**$**	**298,274**
Bank indebtedness	**$**	**22,800**	**$**	**22,800**
Accounts payable and accrued liabilities		**151,023**		**151,023**
Dividends payable		**5,577**		**5,577**
Private Placement Debt		**480,675**		**440,174**
Convertible debentures - debt component		**115,806**		**118,021**
Total financial liabilities	**$**	**775,881**	**$**	**737,595**

December 31, 2021 **Financial Instrument**		**Carrying Amount**		**Fair Value**
Cash and cash equivalents	$	—	$	—
Trade and other receivables		248,868		248,868
Investments (excluding investments accounted for by using the equity method)		2,379		2,379
Other assets		5,463		5,463
Total financial assets	$	256,710	$	256,710
Bank indebtedness	$	89,045	$	89,045
Accounts payable and accrued liabilities		144,198		144,198
Dividends payable		3,781		3,781
Private Placement Debt		460,660		462,495
Convertible debentures - debt component		113,458		117,743
Total financial liabilities	**$**	811,142	$	817,262

5. Acquisitions

2022 Acquisitions

Cordova Oilfield Services Ltd. – On April 17, 2015, Mullen Group acquired approximately 34.0 percent of the issued and outstanding shares of Cordova for $0.6 million. Mullen Group used the equity method to account for this investment and recognized $0.5 million of earnings from April 17, 2015 until November 1, 2022. On November 1, 2022, Mullen Group acquired all of the remaining issued and outstanding shares of Cordova for total consideration of $8.1 million. Mullen Group recorded $4.2 million of cash used to acquire Cordova in our consolidated statement of cash flows and issued 284,078 Common Shares of Mullen Group to the vendors. The fair value of Cordova was $12.0 million on the date control was obtained resulting in a $2.8 million gain on this equity investment being recognized within other (income) expense on the consolidated statement of comprehensive income. Cordova is an oilfield fluid storage and transportation company and provides specialized warehousing, inventory management and transportation of oil country tubular goods to the Peace River region in northeastern British Columbia. Mullen Group acquired Cordova as part of its strategy to invest in the energy sector. The financial results of Cordova are included within the Specialized & Industrial Services segment.

Willy's Trucking Service – On May 1, 2022, Mullen Group acquired all of the issued and outstanding shares of Willy's for total cash consideration of $18.9 million, including three owned facilities. Mullen Group recognized $17.8 million of cash used to acquire Willy's on its consolidated statement of cash flows, which consists of $18.9 million of cash consideration paid on closing net of $1.1 million of cash acquired. Mullen Group also repaid $8.4 million of long-term debt and shareholder loans on the closing date. Willy's is a privately held company headquartered in Edmonton, Alberta and provides regional less-than-truckload ("**LTL**"), general freight and logistic services across northern Alberta and northeastern British Columbia. Mullen Group acquired Willy's as part of its strategy to invest in the transportation sector by acquiring companies that have a strong regional presence. The financial results of Willy's are included within the Less-Than-Truckload segment.

Monarch Messenger Services Ltd. – On January 1, 2022, Mullen Group acquired the assets and business of Monarch Messenger Services Ltd. ("**Monarch**") for total cash consideration of $3.7 million. Monarch is a privately held company headquartered in Calgary, Alberta and provides courier and small package delivery transportation services as well as ambient temperature controlled freight in Alberta. The acquisition of the assets and business of Monarch aligns with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional presence. The financial results of Monarch were integrated into DirectIT Group of Companies, which is included within the Less-Than-Truckload segment and Caneda Transport Ltd., which is included within the Logistics & Warehousing segment.

2021 Acquisitions

DirectIT Group of Companies – On October 1, 2021, Mullen Group acquired the DirectIT Group of Companies ("**DirectIT**") consisting of all of the issued and outstanding shares of West Direct Express Ltd., including certain related companies and tradenames for total consideration of $14.7 million consisting of $9.4 million of cash consideration and from the issuance of 400,000 Common Shares of Mullen Group. Pursuant to the purchase and sale agreement, the vendors may receive cash consideration of $1.0 million for achieving certain financial targets over the 12 month period ending December 31, 2022. Mullen Group has estimated the fair value of this contingent consideration to be $1.0 million. This liability has been recognized within accounts payable and accrued liabilities on the consolidated statement of financial position. DirectIT is a privately held company headquartered in Calgary, Alberta and provides courier and small package delivery transportation services. The acquisition of DirectIT aligns with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional presence. The financial results of DirectIT are included within the Less-Than-Truckload segment.

R.S. Harris Transport Ltd. – On July 1, 2021, Mullen Group acquired all of the issued and outstanding shares of R.S. Harris Transport Ltd. ("**Harris**") for total cash consideration of $11.4 million. Mullen Group recognized $10.4 million of cash used to acquire Harris in its consolidated statement of cash flows, which consists of $11.4 million of cash consideration paid on closing net of $1.0 million of cash acquired. Harris is a privately held company headquartered in Winnipeg, Manitoba and provides a wide range of transportation and logistics services including intermodal, truckload and general freight services. The acquisition of Harris aligns with Mullen Group's strategy of acquiring transportation and logistics companies that have a strong regional presence. The financial results of Harris were integrated into Gardewine Group Limited Partnership on January 1, 2022, which was included within the Less-Than-Truckload segment.

HAUListic LLC – On June 30, 2021, Mullen Group acquired all the assets and business of QuadExpress ("**QuadExpress**") from Quad Logistics Services, LLC, an indirect subsidiary of Quad/Graphics, Inc., ("**Quad**") for total cash consideration of $49.6 million. Mullen Group recorded $49.6 million of cash used to acquire the assets and business of QuadExpress in its consolidated statement of cash flows. QuadExpress was rebranded and has been renamed HAUListic. HAUListic provides third-party logistics, logistics, technology, delivery and freight transportation services by utilizing its proprietary transportation management platform known as SilverExpress. HAUListic operates out of Naperville, Illinois. Mullen Group acquired the assets and business of HAUListic as part of its strategy to grow and expand its service offerings into the United States of America. The financial results of HAUListic's operations are being reported under the U.S. & International Logistics segment.

APPS Transport Group Inc. – On June 24, 2021, Mullen Group acquired all of the issued and outstanding shares of APPS Transport Group Inc. including its operating businesses APPS Cartage Inc. and APPS Cargo Terminals Inc. (collectively "**APPS**") for total consideration of $75.9 million consisting of $66.5 million of cash consideration and from the issuance of 750,000 Common Shares of Mullen Group. Mullen Group recorded $9.4 million of consideration from issuing 750,000 Common Shares. Mullen Group recognized $61.9 million of cash used to acquire APPS in its consolidated statement of cash flows, which consists of $66.5 million of cash consideration paid on closing net of $4.6 million of cash acquired. APPS provides LTL, truckload and intermodal along with warehousing services primarily from their head office in Mississauga, Ontario, with services extending into five locations throughout western Canada. Mullen Group acquired APPS as part of its strategy to invest in the transportation sector in Canada. The financial results of APPSs operations are included in the Less-Than-Truckload segment.

Tri Point Intermodal Services Inc. – On June 1, 2021, Mullen Group acquired all of the issued and outstanding shares of Tri Point Intermodal Services Inc. and Trillium Drayage Services Inc. (collectively "**Tri Point**") for total cash consideration of $8.8 million. Mullen Group recognized $8.8 million of cash used to acquire Tri Point on its consolidated statement of cash flows. Tri Point is based out of Mississauga, Ontario and mainly provides intermodal services to and from the Greater Toronto Area. Mullen Group acquired Tri Point as part of its strategy to invest in the transportation sector in eastern Canada. The financial results of Tri Point's operations are included in the Logistics & Warehousing segment.

Bandstra Transportation Systems Ltd./Babine Truck & Equipment Ltd. – On April 16, 2021, Mullen Group acquired all of the issued and outstanding shares of Bandstra Transportation Systems Ltd. ("**Bandstra**") and Babine Truck & Equipment Ltd. ("**Babine"**) for total cash consideration of $76.4 million. Mullen Group recognized $67.8 million of cash used to acquire Bandstra and Babine in its consolidated statement of cash flows, which consists of $76.4 million of cash consideration paid on closing net of $8.6 million of cash acquired. Bandstra is a privately held company headquartered in Smithers, British Columbia and provides a wide range of transportation and logistics services to communities in northern British Columbia including truckload, general freight, LTL and specialized hauling services. Customers are serviced through a network of three leased and eight owned facilities, all of which are included in the acquisition. They operate a fleet of approximately 180 power units, 360 trailers and 70 pieces of support equipment. Babine is an Original Equipment Manufacturer ("**OEM**") dealership providing sales of OEM trucks and trailers and also provides parts, service and maintenance work from three locations in British Columbia supporting the natural resources, energy and transportation industries. Mullen Group acquired Bandstra and Babine as part of its strategy to invest in the transportation sector. The financial results of Bandstra are included within the Logistics & Warehousing segment while Babine's financial results are included within the Specialized & Industrial Services segment.

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

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

	Cordova	Willy's	Monarch	2022
Assets:				
Non-cash working capital items	$ 2,249	$ (809)	$ —	$ 1,440
Property, plant and equipment	1,227	8,921	1,994	12,142
Right-of-use assets	—	2,122	—	2,122
Intangible assets	7,200	8,970	460	16,630
Goodwill	3,768[(1)]	10,686[(1)]	1,235	15,689
	14,444	29,890	3,689	48,023
Assumed liabilities:				
Lease liabilities (long-term portion)	—	1,250	—	1,250
Deferred income taxes	2,153	2,456	—	4,609
Due to shareholder	—	3,400	—	3,400
Long-term debt	330	5,039	—	5,369
	2,483	12,145	—	14,628
Net assets before cash and cash equivalents	11,961	17,745	3,689	33,395
Cash and cash equivalents acquired	48	1,118	—	1,166
Net assets	12,009	18,863	3,689	34,561
Consideration:				
Cash	4,187	18,863	3,689	26,739
Share consideration	3,872	—	—	3,872
Fair value of equity investment	3,950	—	—	3,950
	$ 12,009	$ 18,863	$ 3,689	$ 34,561

[(1)] *Goodwill is not deductible for tax purposes*

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

	Bandstra	APPS	HAUListic	Harris	Tri Point	DirectIT	2021
Assets:							
Non-cash working capital items	$ 5,954	$ (3,618)	$ (481)	$ 2,205	$ 857	$ (1,288)	**$** 3,629
Property, plant and equipment	50,861	5,691	3,718	8,979	1,120	2,000	72,369
Right-of-use assets	15,828	25,421	1,416	—	2,053	—	44,718
Intangible assets	14,285	25,303	16,755	3,660	4,510	11,300	75,813
Goodwill	5,156(1)	40,921(1)	28,835	1,902(1)	4,665(1)	5,247(1)	86,726
Due from shareholder	—	3,473	—	—	—	—	3,473
Other assets	571	—	—	97	—	—	668
	92,655	97,191	50,243	16,843	13,205	17,259	287,396
Assumed liabilities:							
Lease liabilities (long-term portion)	14,881	18,399	667	—	1,602	—	35,549
Long-term debt	938	—	—	—	—	—	938
Due to shareholder	—	—	—	3,334	1,508	—	4,842
Deferred income taxes	9,074	7,524	—	3,139	1,339	2,783	23,859
	24,893	25,923	667	6,473	4,449	2,783	65,188
Net assets before cash and cash equivalents	67,762	71,268	49,576	10,370	8,756	14,476	222,208
Cash and cash equivalents acquired	8,613	4,591	—	1,009	21	183	14,417
Net assets	76,375	75,859	49,576	11,379	8,777	14,659	236,625
Consideration:							
Cash	76,375	66,446	49,576	11,379	8,777	8,395	220,948
Contingent consideration	—	—	—	—	—	1,000	1,000
Share consideration	—	9,413	—	—	—	5,264	14,677
	$ 76,375	$ 75,859	$ 49,576	$ 11,379	$ 8,777	$ 14,659	**$** 236,625

(1) Goodwill is not deductible for tax purposes

6. Cash and Cash Equivalents

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

Supporting information:

	December 31 2022	December 31 2021
Cash	**$ 8,757**	$ —
Bank indebtedness	**(22,800)**	(89,045)
Cash and cash equivalents (bank indebtedness)	**$ (14,043)**	$ (89,045)

Cash and cash equivalents are comprised of cash and bank indebtedness held at Canadian financial institutions that are rated AA- and A-1 and at a U.S. financial institution rated A by S&P Credit Rating as at December 31, 2022. Mullen Group has a $150.0 million revolving demand unsecured credit facility with the Royal Bank of Canada (the "**RBC Credit Facility**") and on October 1, 2021, the Corporation entered into a new $100.0 million revolving demand unsecured credit facility with the Canadian Imperial Bank of Commerce (the "**CIBC Credit Facility**") (collectively, the "**Credit Facilities**"). On October 1, 2021, the Corporation also amended certain terms of the RBC Credit Facility. As at December 31, 2022, there was $22.8 million drawn on these Credit Facilities. ▶ **For more information, refer to Note 21**.

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

7. Trade and Other Receivables

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

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

Supporting information:

		December 31 2022		December 31 2021
Trade receivables	**$**	**256,995**	$	214,480
Other receivables[(1)]		**25,358**		31,741
Net investment in finance leases[(2)]		**155**		364
Contract assets		**2,391**		2,283
	$	**284,899**	$	248,868

[(1)] Includes $1.8 million (2021 – $2.1 million) of amounts due from related parties. Mullen Group has entered into a $1.8 million (2021 – $2.0 million) debenture agreement with Thrive (as hereafter defined on page 97). The debenture with Thrive matured in 2022, which was extended until 2023. As a result, the Debentures have been classified as a current asset.

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

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

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

		December 31 2022		December 31 2021
Current	**$**	**284,899**	$	248,868
Non-current	**$**	**—**	$	—

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

		December 31 2022		December 31 2021
Current 0-30 days	**$**	**149,662**	$	137,187
Past due 31-60 days		**71,082**		51,504
Past due 61-90 days		**26,528**		16,011
More than 90 days		**20,035**		15,622
		267,307		220,324
Allowance for doubtful accounts		**(10,312)**		(5,844)
Total trade receivables (net of impairment)	**$**	**256,995**	$	214,480

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

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

		2022		2021
Balance at January 1	**$**	**5,844**	$	6,441
Acquired during the year		**349**		613
Bad debts recognized		**(818)**		(1,027)
Allowance for doubtful accounts recorded		**6,369**		629
Allowance for doubtful accounts reversed		**(1,432)**		(812)
Balance at December 31	**$**	**10,312**	$	5,844

The expected credit loss allowance calculated as at December 31, 2022, was $10.3 million, which represents an increase of $4.5 million as compared to the allowance calculated in the prior year.

8. Inventory

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

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

Supporting information:

		December 31 2022		December 31 2021
Inventory of repair parts and fuel	**$**	**26,025**	$	23,179
Inventory for resale		**16,010**		11,942
	$	**42,035**	$	35,121

9. Property, Plant and Equipment

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

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

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

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

Buildings	2.5 - 8%
Trucks and trailers	10 - 20%
Equipment, satellite communication equipment, furniture and fixtures, automobiles, computer hardware, drilling equipment and systems software ("**Miscellaneous Equipment**")	20 - 50%

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

Supporting information:

	Land and buildings	Trucks and trailers	Miscellaneous equipment	Total
Cost				
Balance at January 1, 2022	**$ 630,722**	**$ 795,761**	**$ 338,884**	**$ 1,765,367**
Additions(1)	**24,785**	**53,764**	**15,402**	**93,951**
Disposals	**(18,096)**	**(52,276)**	**(15,264)**	**(85,636)**
Balance at December 31, 2022	**637,411**	**797,249**	**339,022**	**1,773,682**
Accumulated Depreciation				
Balance at January 1, 2022	**92,237**	**452,383**	**234,776**	**779,396**
Depreciation expense	**9,287**	**42,990**	**18,845**	**71,122**
Disposals	**(7,188)**	**(38,069)**	**(13,203)**	**(58,460)**
Balance at December 31, 2022	**94,336**	**457,304**	**240,418**	**792,058**
Net book value at December 31, 2022	**$ 543,075**	**$ 339,945**	**$ 98,604**	**$ 981,624**

	Land and buildings	Trucks and trailers	Miscellaneous equipment	Total
Cost				
Balance at January 1, 2021	$ 591,600	$ 775,385	$ 323,286	$ 1,690,271
Additions(1)	49,385	64,845	26,855	141,085
Disposals	(10,263)	(44,469)	(11,257)	(65,989)
Balance at December 31, 2021	630,722	795,761	338,884	1,765,367
Accumulated Depreciation				
Balance at January 1, 2021	82,588	442,825	225,751	751,164
Depreciation expense	10,306	43,558	19,347	73,211
Disposals	(657)	(34,000)	(10,322)	(44,979)
Balance at December 31, 2021	92,237	452,383	234,776	779,396
Net book value at December 31, 2021	$ 538,485	$ 343,378	$ 104,108	$ 985,971

(1) Additions include property, plant, and equipment purchased by way of business acquisitions of $12.1 million (2021 – $72.4 million).
▶ ***For more information, refer to Note 5***.

At December 31, 2022, land and buildings include $50.3 million (2021 – $47.7 million) of investment properties held to earn rental income. The total cost and accumulated depreciation associated with investment properties was $58.5 million (2021 – $55.3 million) and $8.2 million (2021 – $7.6 million), respectively. Mullen Group generated $3.6 million of rental income (2021 – $3.4 million) from investment properties. At December 31, 2022, the fair market value of investment properties was $94.9 million (2021 – $77.7 million).

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount may not be recoverable. In 2022 and 2021, the Corporation did not record an impairment loss on property, plant and equipment.

10. Right-of-Use Assets

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

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

Supporting information:

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2022	$ **81,284**	$ **27,999**	$ **109,283**
Additions	**32,572**	**3,053**	**35,625**
Subleases[(1)]	**—**	**—**	**—**
Disposals	**(14,002)**	**(1,120)**	**(15,122)**
Balance at December 31, 2022	**99,854**	**29,932**	**129,786**
Accumulated Depreciation			
Balance at January 1, 2022	**22,810**	**8,441**	**31,251**
Depreciation expense	**16,160**	**8,029**	**24,189**
Disposals	**(12,398)**	**(1,012)**	**(13,410)**
Balance at December 31, 2022	**26,572**	**15,458**	**42,030**
Net book value at December 31, 2022	**$ 73,282**	**$ 14,474**	**$ 87,756**

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

	Real Property	Operating Equipment	Total
Cost			
Balance at January 1, 2021	$ 43,578	$ 7,345	$ 50,923
Additions	42,931	21,821	64,752
Subleases[(1)]	(232)	—	(232)
Disposals	(4,993)	(1,167)	(6,160)
Balance at December 31, 2021	81,284	27,999	109,283
Accumulated Depreciation			
Balance at January 1, 2021	15,546	3,191	18,737
Depreciation expense	11,633	6,229	17,862
Disposals	(4,369)	(979)	(5,348)
Balance at December 31, 2021	22,810	8,441	31,251
Net book value at December 31, 2021	$ 58,474	$ 19,558	$ 78,032

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

11. Goodwill

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

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

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

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

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

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

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

Supporting information:

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

		2022		2021
Gross amount of goodwill	**$**	**1,356,726**	$	1,269,340
Accumulated impairment		**998,000**		998,000
Balance at January 1	**$**	**358,726**	$	271,340
Goodwill acquired during the year[(1)]		**17,703**		87,386
Goodwill disposed on sale of non-core business		**(10,434)**		—
Impairment of goodwill		**—**		—
Balance at December 31	**$**	**365,995**	$	358,726

[(1)] *Includes $2.0 million (2021 - $0.7 million) of exchange rate fluctuations on the goodwill at HAUListic.*

At December 31, 2022, the Less-Than-Truckload segment had a carrying value of $178.2 million of goodwill as compared to $168.3 million in 2021. This $9.9 million increase was a result of recognizing goodwill on the acquisition of Willy's and a portion of the goodwill acquired on the acquisition of Monarch. These increases were somewhat offset by some goodwill transferred to the Logistics & Warehousing segment due to an internal reorganization. The Logistics & Warehousing segment had a carrying value of $83.4 million of goodwill, an increase of $2.4 million from the $81.0 million recorded in 2021. This increase was a result of recognizing a portion of the goodwill acquired on the acquisition of Monarch and from transferring some goodwill from the Less-Than-Truckload segment due to an internal reorganization. The Specialized & Industrial Services segment had a carrying value of $72.8 million of goodwill in 2022 as compared to $79.9 million in 2021. This $7.1 million decrease was a result of the goodwill disposed on the sale of a non-core business being somewhat offset by recognizing goodwill on the acquisition of Cordova. The U.S. & International Logistics segment had a carrying value of $31.5 million of goodwill in 2022 as compared to $29.5 million in 2021. The $2.0 million change in goodwill was due to the year over year variance in foreign exchange rates and its impact on the goodwill at HAUListic. ▶ **For more information, refer to Note 5**.

The following table summarizes the significant carrying amounts of goodwill:

		December 31 2022		December 31 2021
Cash Generating Unit				
Gardewine Group Limited Partnership	**$**	**88,768**	$	79,875
Kleysen Group Ltd.		**34,099**		34,099
HAUListic LLC		**31,510**		29,496
APPS Cartage Inc.		**28,670**		28,670
Hi-Way 9 Express Ltd.		**23,902**		23,902
Heavy Crude Hauling L.P.		**16,989**		16,989
Tenold Transportation Ltd.[(1)]		**16,580**		15,209
APPS Cargo Terminals Inc.		**12,251**		12,251
E-Can Oilfield Services L.P.		**12,094**		12,094
Canadian Dewatering L.P.		**11,674**		11,674
Other CGUs		**89,458**		94,467
Total Goodwill	**$**	**365,995**	$	358,726

[(1)] *The $1.4 million increase of goodwill was due to integrating the operations of Inter-Urban Delivery Service Ltd. into Tenold Transportation Ltd. in 2022.*

(a) Impairment Testing for Cash Generating Units Containing Goodwill

At December 31, 2022 and 2021 ("**Valuation Dates**"), Mullen Group performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill in any of its CGUs as the recoverable amount for these CGUs was higher than their respective carrying amount. Recognition of any impairment of goodwill would be recognized as an expense and reduce book equity and net income but it would not impact cash flows.

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

(b) Recoverable Amount

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

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

	Discount rate		Terminal value growth rate	
	December 31 2022	**December 31 2021**	**December 31 2022**	**December 31 2021**
Cash Generating Unit				
Gardewine Group Limited Partnership	**11.0%**	10.5%	**2.0%**	2.0%
Kleysen Group Ltd.	**11.0%**	10.5%	**2.5%**	2.5%
HAUListic LLC	**10.5%**	10.0%	**2.5%**	2.5%
APPS Cartage Inc.	**11.5%**	11.0%	**2.5%**	2.5%
Hi-Way 9 Express Ltd.	**11.5%**	11.0%	**2.5%**	2.5%
Heavy Crude Hauling L.P.	**12.5%**	12.0%	**2.0%**	2.0%
Tenold Transportation Ltd.	**11.5%**	11.0%	**2.5%**	2.5%
APPS Cargo Terminals Inc.	**11.5%**	11.0%	**2.5%**	2.5%
E-Can Oilfield Services L.P.	**12.5%**	12.0%	**2.0%**	2.0%
Canadian Dewatering L.P.	**12.5%**	12.0%	**2.5%**	2.5%
Other	**11.5% - 12.5%**	11.0% - 12.0%	**2.0% - 2.5%**	2.0% - 2.5%

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

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

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

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

	Change in discount rate		Change in terminal value growth rate	
	December 31 2022	**December 31 2021**	**December 31 2022**	**December 31 2021**
Cash Generating Unit				
Gardewine Group Limited Partnership	**6.7%**	4.0%	**(11.5)%**	(6.0)%
Kleysen Group Ltd.	**7.2%**	7.3%	**(12.9)%**	(13.1)%
HAUListic LLC	**20.0%+**	19.0%	**(20.0)%+**	(20.0)%+
APPS Cartage Inc.	**7.6%**	6.7%	**(13.7)%**	(11.2)%
Hi-Way 9 Express Ltd.	**20.0%+**	9.7%	**(20.0)%+**	(18.5)%
Heavy Crude Hauling L.P.	**7.5%**	1.7%	**(14.4)%**	(2.4)%
Tenold Transportation Ltd.	**20.0%+**	6.7%	**(20.0)%+**	(11.7)%
APPS Cargo Terminals Inc.	**20.0%+**	20.0%+	**(20.0)%+**	(20.0)%+
E-Can Oilfield Services L.P.	**1.8%**	4.2%	**(2.7)%**	(6.7)%
Canadian Dewatering L.P.	**8.2%**	6.3%	**(15.7)%**	(10.8)%

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

12. Intangible Assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements acquired through business combinations. In 2022, Mullen Group acquired $16.6 million of intangible assets by virtue of acquisitions. Intangible assets are amortized over their estimated useful lives on a straight line basis over a period of five to ten years.

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

Judgements: Estimating future cash flows and earnings requires judgement, considering past and actual performance as well as expected developments in the respective markets and in the overall macro-economic environment. Management uses its judgement to initially record and measure intangible assets acquired on acquisitions with key assumptions related to future revenue projections, gross margin forecasts, customer attrition rates and discount rates.

Supporting information:

	Opening balance at January 1 2021	Additions (Amortization)	Closing balance at December 31 2021	Additions (Amortization)	Closing balance at December 31 2022
Cost	$ 322,231	$ 76,179[(1)]	$ 398,410	$ 17,671[(1)]	**$ 416,081**
Amortization	(276,364)	(22,891)	(299,255)	(17,202)	**(316,457)**
Carrying amount	$ 45,867		$ 99,155		**$ 99,624**

[(1)] Includes $1.0 million (2021 - $0.4 million) of exchange rate fluctuations on the intangible assets at HAUListic.

13. Investments

	December 31 2022	December 31 2021
Investments	**$ 2,515**	$ 2,379
Investments – equity method	**43,055**	36,139
	$ 45,570	$ 38,518

(a) Investments

Mullen Group periodically invests in certain private and public corporations. Mullen Group did not purchase any investments in 2022 or 2021.

(b) Investments accounted for by the equity method

In 2015 Mullen Group invested $0.6 million to acquire approximately a 34.0 percent equity interest in Cordova, a specialized energy services company operating out of Fort St. John, British Columbia. Mullen Group made this equity investment as part of its strategy to invest in the energy sector in western Canada. On November 1, 2022, Mullen Group acquired all of the remaining issued and outstanding shares of Cordova. ▶ **For more information, refer to Note 5**. In 2017, Mullen Group invested $0.2 million to acquire a 30.0 percent equity interest in Thrive Management Group Ltd. ("**Thrive**"), a fluid management company operating in the Grande Prairie, Alberta region. Mullen Group made this equity investment as part of its strategy to invest in the energy sector. In 2014, Mullen Group acquired a 30.0 percent interest in Kriska Transportation Group Limited ("**Kriska Transportation**"). Kriska Transportation is a growth oriented transportation and logistics company based in Prescott, Ontario. At December 31, 2022, the Corporation had a carrying value of $37.8 million (2021 – $30.7 million) related to its equity investment in Kriska Transportation. Mullen Group uses the equity method to account for investments from the date in which it obtains significant influence. In 2022, the aggregate amount of Mullen Group's share of net income and total comprehensive income from its investments accounted for by the equity method was $8.6 million (2021 – $1.6 million). In 2022, revenue and operating income before depreciation and amortization ("**OIBDA**") on the Corporation's equity investments was $388.5 million (2021 – $285.0 million) and $76.7 million (2021 – $45.9 million), respectively. ▶ **For more information, refer to Note 28**.

14. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. At December 31, 2022, the carrying value of these Cross-Currency Swaps was $46.4 million (2021 – $37.4 million) and was recorded in the consolidated statement of financial position within derivative financial instruments.

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

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

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

Supporting information: For the year ended December 31, 2022, Mullen Group recorded a net foreign exchange loss (gain) of $10.8 million (2021 – $(0.7) million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Foreign Exchange Loss (Gain)	**CDN. $ Equivalent**			
	Years ended December 31			
		2022		**2021**
Foreign exchange loss (gain) on U.S. $ debt	**$**	**19,831**	$	(1,237)
Foreign exchange (gain) loss on Cross-Currency Swaps		**(9,044)**		514
Net foreign exchange loss (gain)	**$**	**10,787**	$	(723)

For the year ended December 31, 2022, Mullen Group recorded a foreign exchange loss (gain) on U.S. dollar debt of $19.8 million (2021 – $(1.2) million) as summarized in the table below:

Foreign Exchange Loss (Gain) on U.S. $ Debt	**Years ended December 31**					
	2022			**2021**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – December 31	**229,000**	**1.3544**	**310,157**	229,000	1.2678	290,326
Beginning – January 1	**229,000**	**1.2678**	**290,326**	229,000	1.2732	291,563
Foreign exchange loss (gain) on U.S. $ debt			**19,831**			(1,237)

For the year ended December 31, 2022, Mullen Group recorded a foreign exchange (gain) loss on its Cross-Currency Swaps of $(9.0) million (2021 – $0.5 million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange (Gain) Loss on Cross-Currency Swaps	**Years ended December 31**			
	2022		**2021**	
	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**	**(5,893)**	117,000	146
Cross-Currency Swap maturing October 22, 2026	**112,000**	**(3,151)**	112,000	368
Foreign exchange (gain) loss on Cross-Currency Swaps		**(9,044)**		514

15. Other Assets

		December 31 2022		**December 31 2021**
Promissory notes	**$**	**—**	$	651
Net investment in finance leases[1]		**151**		89
Deposit on acquisition[2]		**—**		3,406
Other		**1,952**		1,317
	$	**2,103**	$	5,463

[1] Net investment in finance leases includes amounts owing after 12 months and mainly consists of the net investment in subleases on real property where the Business Unit has entered into the head lease.

[2] Deposit on acquisition in 2021 consisted of amounts funded to close the January 1, 2022 acquisition of Monarch. ▶ ***For more information, refer to Note 5.***

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

16. Accounts Payable and Accrued Liabilities

Policy: Accounts payable and accrued liabilities are obligations to pay for goods or services that have been purchased in the normal course of business and are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Accounts payable and accrued liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supporting information:

		December 31 2022		December 31 2021
Trade payables	**$**	**53,637**	$	55,227
Amounts due to related parties		**30**		1
Non-trade payables and accrued liabilities		**97,356**		88,970
	$	**151,023**	$	144,198

17. Dividends Payable

For the year ended December 31, 2022, Mullen Group declared dividends totalling $0.68 per Common Share (2021 – $0.48 per Common Share). On December 8, 2021, 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 2022. On May 3, 2022, Mullen Group announced an increase to the monthly dividend from $0.05 to $0.06 per Common Share effective as of the next regular dividend payment, which was payable on June 15, 2022. At December 31, 2022, Mullen Group had 92,953,005 Common Shares outstanding and a dividend payable of $5.6 million (December 31, 2021 – $3.8 million), which was paid on January 16, 2023. Mullen Group also declared a dividend of $0.06 per Common Share on January 24, 2023, to the holders of record at the close of business on January 31, 2023.

18. Income Taxes

Estimates: The realization of deferred tax assets depends on the future taxable income of the respective Mullen Group subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates.

Policy: Income tax expense for the period consists of current and deferred tax. Tax is recognized in net income, except to the extent that it relates to a business combination or items recognized in other comprehensive income or directly in equity.

Taxable income differs from net income as reported in the consolidated statement of comprehensive income. As a result, current tax is the expected tax due on taxable income less adjustments to prior periods using tax rates enacted, or substantively enacted as at the reporting date in jurisdictions where Mullen Group operates.

In general, deferred income taxes are recognized based on temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the Annual Financial Statements. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill and are not accounted for if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income taxes are calculated on the basis of the tax laws enacted or substantively enacted as at the reporting date and apply to when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent it is probable that future taxable income will be generated and available to use against the deductible temporary differences, unused tax losses and unused tax credits. Current and deferred income tax assets and liabilities are offset when there is a legally enforceable right to settle on a net basis and when such assets and liabilities relate to income taxes imposed by the same taxation authority.

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

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

Supporting information:

Deferred tax assets totalling $6.7 million (2021 – $9.6 million) consist mainly of the temporary differences arising from the purchase of goodwill on asset acquisitions, intangible assets and from loss carry forward balances. Recognized deferred tax assets and liabilities consist of the following:

December 31, 2022		**Assets**		**Liabilities**		**Net**
Property, plant and equipment	**$**	**9**	**$**	**(106,792)**	**$**	**(106,783)**
Goodwill – asset acquisitions		**4,831**		**(895)**		**3,936**
Intangible assets		**1,390**		**(19,255)**		**(17,865)**
Investments		**—**		**(3,294)**		**(3,294)**
Loss carry-forwards		**390**		**—**		**390**
Financing fees		**—**		**(397)**		**(397)**
Holdbacks and deferred interest		**62**		**(327)**		**(265)**
Debentures		**—**		**(1,490)**		**(1,490)**
Right-of-use assets		**17**		**(470)**		**(453)**
	$	**6,699**	**$**	**(132,920)**	**$**	**(126,221)**

December 31, 2021		**Assets**		**Liabilities**		**Net**
Property, plant and equipment	$	56	$	(106,301)	$	(106,245)
Goodwill – asset acquisitions		5,184		(2,126)		3,058
Intangible assets		1,835		(20,556)		(18,721)
Investments		—		(2,255)		(2,255)
Loss carry-forwards		2,532		—		2,532
Financing fees		—		(359)		(359)
Holdbacks and deferred interest		—		(239)		(239)
Debentures		—		(1,870)		(1,870)
Unrealized foreign exchange gain		—		(1,004)		(1,004)
Right-of-use-assets		23		(374)		(351)
	$	9,630	$	(135,084)	$	(125,454)

The analysis of the components of net deferred tax is as follows:

	Years ended December 31			
		2022		**2021**
Deferred tax to be settled within 12 months	**$**	**(8,015)**	$	(11,515)
Deferred tax to be settled after more than 12 months		**(118,206)**		(113,939)
	$	**(126,221)**	$	(125,454)

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

The following tables summarize the movement of temporary differences during the period:

	Balance January 1 2022	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2022
Property, plant and equipment	**$ (106,245)**	**$ 297**	**$ (835)**	**$ —**	**$ (106,783)**
Goodwill – asset acquisitions	**3,058**	**878**	**—**	**—**	**3,936**
Intangible assets	**(18,721)**	**4,631**	**(3,774)**	**—**	**(17,864)**
Investments	**(2,255)**	**(1,039)**	**—**	**—**	**(3,294)**
Loss carry-forwards	**2,532**	**(2,142)**	**—**	**—**	**390**
Financing fees	**(359)**	**(38)**	**—**	**—**	**(397)**
Holdbacks and deferred interest	**(239)**	**(27)**	**—**	**—**	**(266)**
Debentures	**(1,870)**	**380**	**—**	**—**	**(1,490)**
Unrealized foreign exchange (gain) loss	**(1,004)**	**1,004**	**—**	**—**	**—**
Right-of-use assets	**(351)**	**(102)**	**—**	**—**	**(453)**
	$ (125,454)	**$ 3,842**	**$ (4,609)**	**$ —**	**$ (126,221)**

	Balance January 1 2021	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2021
Property, plant and equipment	$ (98,818)	$ 1,445	$ (8,872)	$ —	$ (106,245)
Goodwill – asset acquisitions	3,503	(445)	—	—	3,058
Intangible assets	(8,747)	5,015	(14,989)	—	(18,721)
Investments	(1,944)	(311)	—	—	(2,255)
Loss carry-forwards	1,884	648	—	—	2,532
Financing fees	(218)	(141)	—	—	(359)
Holdbacks and deferred interest	(330)	91	—	—	(239)
Debentures	(2,250)	380	—	—	(1,870)
Unrealized foreign exchange gain	(920)	(84)	—	—	(1,004)
Right-of-use-assets	(379)	28	—	—	(351)
	$ (108,219)	$ 6,626	$ (23,861)	$ —	$ (125,454)

Income tax expense of $52.3 million (2021 – $23.6 million) is comprised of current and deferred tax as follows:

	Years ended December 31	
	2022	**2021**
Current	**$ 56,119**	$ 30,185
Deferred	**(3,857)**	(6,626)
	$ 52,262	$ 23,559

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

The combined statutory tax rate was approximately 25.0 percent in 2022 (2021 – 25.0 percent). The reconciliation of the effective tax rate is as follows:

	Years ended December 31	
	2022	**2021**
Income before income taxes	**$ 210,881**	$ 95,995
Combined statutory tax rate	**25%**	25%
Expected income tax	**52,720**	23,999
Add (deduct):		
Non-deductible (taxable) of net foreign exchange loss (gain)	**1,241**	(83)
Non-deductible (taxable) of the change in fair value of investments	**(342)**	(119)
Stock-based compensation expense	**171**	87
Changes in unrecognized deferred tax asset	**1,241**	(1,004)
Non-taxable portion of capital gain on the sale of lands	**(3,443)**	—
Other	**674**	679
Income tax expense	**$ 52,262**	$ 23,559

19. Lease Liabilities

Estimates: The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Mullen Group's incremental borrowing rate. Generally, Mullen Group uses its incremental borrowing rate as the discount rate, which is estimated at the inception of the lease. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Mullen Group's incremental borrowing rate. Mullen Group's incremental borrowing rate is estimated using prevailing interest rates, market precedents and Mullen Group's credit rating.

Judgements: Mullen Group assesses whether a contract is or contains a lease at inception of the contract. For contracts entered into before January 1, 2019, it was determined whether the arrangement was or contained a lease. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether Mullen Group obtains substantially all the economic benefits from the use of that asset, and whether Mullen Group has the right to direct the use of the asset. Furthermore, Mullen Group assesses and reassess the likelihood of it exercising renewal options.

Policy: The Corporation has recognized lease liabilities in relation to leases. Mullen Group assesses whether a contract is or contains a lease at inception of the contract. As lease liabilities are recognized, there is a corresponding right-of-use asset recorded at the date of which the asset becomes available for use. As lease payments are made there is a reduction to the principal portion of the lease liability as well as an amount allocated to finance costs. Finance costs are expensed within the consolidated statement of comprehensive income over the lease term. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. The Corporation uses a single discount rate for a portfolio of leases with reasonably similar characteristics. ▶ **For more information, refer to Note 10.**

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

Supporting information:

		Year ended December 31, 2022
Beginning – January 1, 2022	$	**81,253**
Additions(1)		**35,161**
Disposals		**(1,287)**
Lease payments		**(25,863)**
Interest expense		**2,599**
Ending balance – December 31, 2022		**91,863**
Less:		
Lease liabilities – current portion		**20,992**
Lease liabilities	$	**70,871**

		Year ended December 31, 2021
Beginning – January 1, 2021	$	35,032
Additions(1)		64,891
Disposals		(1,144)
Lease payments		(19,356)
Interest expense		1,830
Ending balance – December 31, 2021		81,253
Less:		
Lease liabilities – current portion		17,890
Lease liabilities	$	63,363

(1) Additions include lease liabilities assumed by way of business acquisitions of $2.1 million (2021 - $44.7 million).

The following are the contractual maturities of lease liabilities, including the value of any options to extend a lease where Mullen Group is reasonably certain to do so:

		December 31, 2022
Twelve months or less	$	**25,178**
2024 – 2025		**36,018**
2026 – 2027		**19,790**
Thereafter		**26,243**
Contractual cash flows	$	**107,229**
Carrying amount	$	**91,863**

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

For the year ended December 31, 2022, Mullen Group incurred variable lease payments, short-term and low dollar value lease expense of $3.8 million (2021 – $5.8 million), $3.4 million (2021 – $3.3 million) and $0.1 million (2021 – $0.03 million), respectively. The Corporation also recognized $0.1 million (2021 – $0.1 million) of sublease income during the period.

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

20. Convertible Unsecured Subordinated Debentures

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

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

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

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

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

The details of the Debentures are as follows:

		December 31, 2022		December 31, 2021	
Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
2026	5.75%	**$ 125,000**	**$ 115,806**	$ 125,000	$ 113,458

The cumulative carrying amount of the Debentures is as follows:

	Cumulative as at	
	December 31, 2022	December 31, 2021
Proceeds from issue of the Debentures	**$ 125,000**	$ 125,000
Debt issuance costs	**(5,203)**	(5,203)
Net proceeds	**119,797**	119,797
Amount classified as equity	**(12,403)**	(12,403)
Accretion on debt	**8,412**	6,064
Carrying amount of the Debentures	**$ 115,806**	$ 113,458

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

21. Long-Term Debt and Credit Facilities

Mullen Group has two unsecured credit facilities to borrow an aggregate of up to $250.0 million with its $150.0 million RBC Credit Facility and its $100.0 million CIBC Credit Facility. Interest on the RBC 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. Interest on the CIBC Credit Facility is based on either the Canadian bank prime rate plus 0.50 percent or the U.S. bank base rate plus 0.50 percent, in each case payable in arrears or bankers' acceptance rates plus an acceptance fee of 1.50 percent payable upon acceptance. As at December 31,2022, there was $22.8 million drawn on the Credit Facilities, which was included within bank indebtedness on the consolidated statement of financial position. These Credit Facilities are unsecured although the Corporation's wholly-owned subsidiary, MT Investments Inc. ("**MT**"), has granted an unlimited guarantee of any indebtedness owing on the Credit Facilities. These Credit Facilities do not have any financial covenants, however, Mullen Group cannot be in default of its Private Placement Debt and it must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants. ▶ **For more information, refer to Note 6**.

Mullen Group has $3.9 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the RBC Credit Facility.

Mullen Group's long-term debt is mainly comprised of Private Placement Debt, the details of which are set forth below:

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

(1) *Interest is payable semi-annually.*

Mullen Group's unamortized debt issuance costs of $0.5 million related to its Private Placement Debt have been netted against its carrying value at December 31, 2022 (December 31, 2021 – $0.7 million). Mullen Group has certain financial covenants that must be met under its unsecured Private Placement Debt, which include a total net debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio. Mullen Group's total net debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total net debt**" is defined in the Private Placement Debt agreement as all debt excluding the Debentures less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position but includes Private Placement Debt, lease liabilities, the Credit Facilities and letters of credit. The term "**operating cash flow**" is also defined in the Private Placement Debt agreement and means, for any quarterly period, the trailing twelve month consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) depreciation and amortization taken during such period, (iii) total interest charges, including interest on the Debentures and lease liabilities; and (iv) non-cash charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

Mullen Group entered into Cross-Currency Swaps to swap the Series G and Series H Notes into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. ▶ **For more information, refer to Note 14**.

The following table summarizes the Corporation's long-term debt and Credit Facilities:

		December 31, 2022		December 31, 2021
Current liabilities:				
Private Placement Debt	**$**	**—**	$	—
Lease liabilities – current portion		**20,992**		17,890
Current portion of long-term debt		**213**		54
Bank indebtedness		**22,800**		89,045
		44,005		106,989
Non-current liabilities:				
Private Placement Debt		**480,675**		460,660
Lease liabilities		**70,871**		63,363
Long-term debt		**922**		845
		552,468		524,868
	$	**596,473**	$	631,857

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

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

			December 31, 2022		December 31, 2021	
	Year of Maturity	Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	**$**	$	$
Bank indebtedness	—	Variable	**22,800**	**22,800**	89,045	89,045
Lease liabilities	2023 – 2059	3.20%	**107,229**	**91,863**	94,147	81,253
Private Placement Debt	2024 – 2026	3.84% - 4.07%	**481,158**	**480,675**	461,326	460,660
Various financing loans	2023 – 2024	2.68% - 7.49%	**1,135**	**1,135**	899	899
			612,322	**596,473**	645,417	631,857

22. Share Capital

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

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

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

	# of Common Shares	
	2022	**2021**
Issued Common Shares at January 1	**94,532,178**	96,852,047
Common Shares repurchased and cancelled	**(1,863,251)**	(3,469,869)
Common Shares issued on acquisition	**284,078**	1,150,000
Issued Common Shares at December 31	**92,953,005**	94,532,178

On March 7, 2022, Mullen Group announced the renewal of its normal course issuer bid ("**NCIB**"), commencing March 9, 2021, to purchase for cancellation up to 8,828,623 Common Shares in the open market on or before March 9, 2023. As at December 31, 2022, Mullen Group had purchased and cancelled 1,863,251 Common Shares for $22.9 million under this NCIB program. There were 74,465 Common Shares repurchased and cancelled in January 2023.

All purchases were made in accordance with the NCIB at prevalent market prices as permitted by the Toronto Stock Exchange, with consideration allocated to share capital up to the average carrying amount of the shares and any excess allocated to contributed surplus. The NCIB can be cancelled at the discretion of the Corporation at any time.

In the fourth quarter of 2022, Mullen Group issued 284,078 Common Shares as partial consideration for the acquisition of Cordova. In 2021, Mullen Group issued 750,000 Common Shares as partial consideration for the acquisition of APPS and 400,000 Common Shares as partial consideration for the acquisition of DirectIT. ▶ **For more information, refer to Note 5.**

23. Earnings per Share

Policy: Basic per share amounts are calculated using the weighted average number of Common Shares outstanding during the period. Diluted per share amounts are calculated considering the effects of all dilutive potential ordinary shares. Mullen Group's dilutive potential ordinary shares assumes dilutive stock options are exercised and that the proceeds obtained on the exercise of dilutive stock options would be used to purchase Common Shares at the average market price during the period. The weighted average number of Common Shares outstanding is then adjusted accordingly.

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

Supporting information:

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the year ended December 31, 2022, was $158.6 million (2021 – $72.4 million). The weighted average number of Common Shares outstanding for the years ended December 31, 2022 and 2021 was calculated as follows:

	Note	Years ended December 31 2022	2021
Issued Common Shares at beginning of period	22	**94,532,178**	96,852,047
Effect of Common Shares repurchased and cancelled	22	**(1,226,979)**	(1,276,620)
Effect of Common Shares issued on acquisition		**46,698**	493,288
Weighted average number of Common Shares at end of period – basic		**93,351,897**	96,068,715

(b) Diluted Earnings per Share

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

	Years ended December 31 2022	2021
Net income	**$ 158,619**	$ 72,436
Effect of the Debentures	**7,151**	—
Net income – adjusted	**$ 165,770**	$ 72,436

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

	Years ended December 31 2022	2021
Weighted average number of Common Shares – basic	**93,351,897**	96,068,715
Effect of "in the money" stock options	**126,392**	61,655
Effect of the Debentures	**8,928,571**	—
Weighted average number of Common Shares at end of period – diluted	**102,406,860**	96,130,370

For the year ended December 31, 2022, 2,740,000 stock options (2021 – 3,055,000) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended December 31, 2022 and 2021. For the year ended December 31, 2022, the Common Shares that would be issued upon conversion of the Debentures were included in the diluted weighted average calculation as their effect was dilutive. For the year ended December 31, 2021, 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. ▶ **For more information on Debentures and stock options, refer to Notes 20 and 27, respectively.**

24. Revenue

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

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

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

The business of Mullen Group is operated through its Business Units, which are divided into four distinct operating segments for reporting purposes – Less-Than-Truckload, Logistics & Warehousing, Specialized & Industrial Services and U.S. & International Logistics. 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, 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. The U.S. & International Logistics segment was added as a new segment in 2021 and reflects the Corporation's strategic direction to grow its U.S. and international logistics business with the acquisition of the assets and business of Quad Express being the first in this segment. ▶ **For more information, refer to Notes 5, 32 and 34.**

At December 31, 2022, the Less-Than-Truckload segment consisted of 11 Business Units and is often referred to as the final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. We are committed to investing in the most advanced technologies available ensuring the continued improvement in all aspects of our business, shortening delivery times and providing customers with visibility, via tracking and tracing, to their shipments during transit.

At December 31, 2022, the Logistics & Warehousing segment consisted of 12 Business Units and provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. Operations and customer service are supported by a robust suite of leading edge technology solutions including a fully integrated transportation management system, customized inventory management and warehouse systems along with our proprietary Moveitonline® and Haulistic™ technology platforms, applications that are positioning our organization for an evolving and changing supply chain.

At December 31, 2022, the Specialized & Industrial Services segment consisted of 15 Business Units and is comprised of a wide range of unique businesses providing specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. Strategically located throughout western Canada, these specialty Business Units are focused on providing advanced technology solutions and leading edge service capabilities.

At December 31, 2022, the U.S. & International Logistics segment consisted of one Business Unit, being a global technology enabled, non-asset based third-party logistics service provider focused on freight brokerage services across multiple modes of transportation. The operations and customer service are provided through its proprietary transportation management system technology platform known as SilverExpress, which aligns customer shipments with transportation carriers.

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

Disaggregation of revenue:

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

Year ended December 31, 2022	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	Corporate	Intersegment eliminations	Total
	$	$	$		$	$	$
Revenue by service line							
Transportation	**769,791**	**373,744**	**181,814**	**—**	**—**	**—**	**1,325,349**
Logistics	**25,619**	**132,088**	**27,728**	**221,844**	**—**	**—**	**407,279**
Other[(1)]	**6,058**	**108,246**	**193,553**	**—**	**4,452**	**—**	**312,309**
Eliminations	**(22,740)**	**(4,790)**	**(2,490)**	**—**	**—**	**(15,464)**	**(45,484)**
	778,728	**609,288**	**400,605**	**221,844**	**4,452**	**(15,464)**	**1,999,453**
Timing of revenue recognition							
Over time	**769,921**	**379,676**	**254,271**	**—**	**3,588**	**—**	**1,407,456**
Point in time	**31,547**	**234,402**	**148,824**	**221,844**	**864**	**—**	**637,481**
Eliminations	**(22,740)**	**(4,790)**	**(2,490)**	**—**	**—**	**(15,464)**	**(45,484)**
	778,728	**609,288**	**400,605**	**221,844**	**4,452**	**(15,464)**	**1,999,453**

(1) Included within other revenue is $48.7 million of rental revenue comprised of $0.1 million, $5.9 million, $39.1 million, nil and $3.6 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment, the U.S. & International Logistics segment and Corporate, respectively.

Year ended December 31, 2021	Less-than-Truckload	Logistics & Warehousing	Specialized & Industrial Services	U.S. & International Logistics	Corporate	Intersegment eliminations	Total
	$	$	$		$	$	$
Revenue by service line							
Transportation	567,981	282,029	144,185	—	—	—	994,195
Logistics	20,567	96,947	16,394	118,193	—	—	252,101
Other[(1)]	6,689	91,521	155,833	—	3,889	—	257,932
Eliminations	(9,919)	(4,883)	(3,018)	—	—	(8,974)	(26,794)
	585,318	465,614	313,394	118,193	3,889	(8,974)	1,477,434
Timing of revenue recognition							
Over time	568,219	286,718	204,178	—	3,435	—	1,062,550
Point in time	27,018	183,779	112,234	118,193	454	—	441,678
Eliminations	(9,919)	(4,883)	(3,018)	—	—	(8,974)	(26,794)
	585,318	465,614	313,394	118,193	3,889	(8,974)	1,477,434

(1) Included within other revenue is $37.8 million of rental revenue comprised of $0.2 million, $4.7 million, $29.5 million, nil and $3.4 million recorded in the Less-Than-Truckload segment, the Logistics & Warehousing segment, the Specialized & Industrial Services segment, the U.S. & International Logistics segment and Corporate, respectively.

During the year, 93.4 percent of revenue was from the rendering of services, 3.7 percent of revenue was from the sale of goods and 2.9 percent was from construction contracts as compared to 93.3 percent, 3.7 percent, and 3.0 percent, respectively, for the year ended December 31, 2021.

25. Personnel Costs

	Years ended December 31	
	2022	2021
Wages, salaries and benefits	**$ 481,890**	$ 386,824
Stock-based compensation expense	**743**	379
	$ 482,633	$ 387,203

In 2022 personnel costs of $318.5 million (2021 – $263.1 million) were recognized within direct operating expenses and $164.1 million (2021 – $124.1 million) were recognized within selling and administrative expenses.

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

26. Finance Costs

	Years ended December 31	
	2022	**2021**
Interest expense on financial liabilities measured at amortized cost	**$ 32,907**	$ 28,273
Accretion on debt	**2,531**	2,530
Finance expense	**35,438**	30,803
Less: Interest income from cash and cash equivalents	**(395)**	(422)
Finance costs	**$ 35,043**	$ 30,381

27. Share-Based Compensation Plans

Mullen Group is permitted to grant stock options to directors, officers, employees and consultants of Mullen Group or its affiliates under its stock option plan ("**Stock Option Plan**"). Options under the Stock Option Plan are normally granted at the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. Stock options vest in the manner determined by the Board at the time of the grant. The term of an option is five to ten years from the date of grant.

Estimates: Mullen Group estimates the fair value of its stock options using the Black-Scholes option pricing model. This requires the estimation of certain variables including: the expected risk-free interest rate, the expected life of the stock option, the forfeiture rate, the expected dividend yield of Mullen Group's Common Shares and expected share price volatility.

Judgement: The estimation of certain variables within the Black-Scholes model require judgement. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. In determining the expected term of the option grants, Mullen Group has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant. The expected forfeiture rate was determined based on the Corporation's prior historical forfeiture rates on the date of grant. This estimate is adjusted to reflect the actual experience. The expected dividend yield of Mullen Group's Common Shares over the expected term of the option was determined based on the Corporation's dividend policy on the date of grant. The expected stock price volatility at the time of the particular stock option grant, Mullen Group relies on observations of historical volatility trends.

Policy: Mullen Group accounts for stock-based compensation using the fair-value method of valuing any stock options granted using the Black-Scholes model. Under the fair value method, the fair value of options is calculated at the date of grant and that value is recorded as compensation expense over the vesting periods of those grants, with a corresponding increase to contributed surplus less an estimated forfeiture rate. The forfeiture rate is based on past experience of actual forfeitures. When options are exercised, the proceeds received by Mullen Group, along with the amount in contributed surplus, will be credited to share capital.

Supporting information:

On May 3, 2017, Mullen Group's shareholders approved a resolution to amend the Stock Option Plan. The amendment increases the number of Common Shares reserved for issuance by 4,000,000. As such, 3,012,500 (2021 – 3,012,500) options are available to be issued under the Stock Option Plan as at December 31, 2022. Each stock option will entitle the option-holder to acquire one Common Share of Mullen Group. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to five years and expire in five to ten years.

Volatility was determined on the basis of the daily closing prices over a historical period corresponding to the expected term of the options.

Stock Option Plan:	**Options**	**Weighted average exercise price**
Outstanding December 31, 2020	2,995,000	$ 19.38
Granted	1,095,000	10.78
Exercised	—	—
Expired	(305,000)	(19.20)
Forfeited	(30,000)	(18.75)
Outstanding December 31, 2021	3,755,000	$ 16.89
Granted	345,000	13.42
Exercised	—	—
Expired	(205,000)	(21.48)
Forfeited	(140,000)	(13.12)
Outstanding December 31, 2022	**3,755,000**	**$ 16.47**
Stock options exercisable December 31, 2021	2,660,000	$ 19.41
Stock options exercisable December 31, 2022	**2,400,000**	**$ 19.29**

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

The range of exercise prices for options outstanding at December 31, 2022 was as follows:

	Options Outstanding				Exercisable Options		
Range of Exercise Prices	Number	Weighted average remaining contractual life (years)		Weighted average exercise price	Number		Weighted average exercise price
$10.15 to $14.27	1,210,000	8.58	$	11.08	—	$	—
$14.28 to $16.72	1,395,000	5.35	$	16.50	1,250,000	$	16.72
$16.73 to $28.07	1,150,000	1.89	$	22.09	1,150,000	$	22.09
$10.15 to $28.07	3,755,000	5.33	$	16.47	2,400,000	$	19.29

In 2022 there were 345,000 (2021 – 1,095,000) stock options issued. The following weighted average assumptions were used to determine the fair value of options issued in 2022 and 2021 under the Stock Option Plan on the date of grant:

	2022	2021
Fair value	**$3.21**	$2.08
Risk-free interest rate	**3.00%**	1.00%
Expected life	**5 years**	5 years
Forfeiture rate	**5.0% per annum**	5.0% per annum
Expected dividend	**$0.66 per share per annum**	$0.48 per share per annum
Expected share price volatility	**37.0**	36.3

28. Other (Income) Expense

	Years ended December 31			
		2022		2021
Change in fair value of investments	**$**	**(136)**	$	(1,171)
Gain on sale of property, plant and equipment		**(27,948)**		(285)
Gain on fair value of equity investment		**(2,806)**		—
Loss on sale of non-core business		**81**		—
Gain on contingent consideration		**—**		(150)
Earnings from equity investments		**(8,550)**		(1,657)
Accretion on asset retirement obligations		**24**		24
Other (income) expense	**$**	**(39,335)**	$	(3,239)

▶ ***For more information on the gain on contingent consideration and the gain on fair value of equity investment, refer to Note 5.***

In 2022 the Corporation disposed of its hydrovac assets and business to a third party for $16.5 million and recorded a loss on sale of non-core business of $0.1 million.

29. Contingent Liabilities

Mullen Group is involved in various claims and actions arising in the course of its operations and is subject to various legal actions and possible claims. Although the outcome of these claims cannot be predicted with certainty, Mullen Group does not expect these matters to have a material adverse effect on its financial position, cash flows or results from operations. Accruals for litigation, claims and assessments are recognized if Mullen Group determines that the loss is probable and the amount can be reasonably estimated. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Mullen Group's consolidated net earnings in the period in which the outcome is determined.

30. Capital Commitments

Capital expenditures approved and committed to but not provided for in these accounts at December 31, 2022, amounted to $42.0 million. These capital expenditure commitments are expected to be completed in fiscal 2023.

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

31. Financial Instruments

Mullen Group's operating activities expose it to a variety of financial risks. These financial risks consist of certain credit, liquidity, and market risks associated with Mullen Group's financial assets and financial liabilities. Mullen Group has established and follows certain policies and procedures to mitigate these risks and continually monitors its exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative financial instruments for trading or speculative purposes. The following details Mullen Group's exposure to credit, liquidity, and market risks.

(a) Credit Risk

Credit risk is the possibility of a financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from Mullen Group's trade and other receivables from its customers. The carrying amount of financial assets represents Mullen Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

Carrying amount	**Note**		**December 31 2022**		**December 31 2021**
Cash and cash equivalents	**6**	**$**	**8,757**	$	—
Trade and other receivables	**7**		**284,899**		248,868
Derivative financial instruments	**14**		**46,436**		37,392
Other assets	**15**		**2,103**		5,463
		$	**342,195**	$	291,723

Credit risk related to trade and other receivables is initially managed by each Business Unit. Each Business Unit is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Business Units review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. Mullen Group also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. In the unlikely event of default by its customers, Mullen Group secures a security interest for items in possession prior to commencing work and registers liens when appropriate. Further, the federal *Bill of Lading Act,* its provincial counterparts and various other acts afford Mullen Group further protection in the event of default. Mullen Group also attends industry forums to assess credit worthiness of customers related predominately to the oil and natural gas industry. No customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2022 and 2021.

Impairment losses arise when trade receivables are written off directly against the financial asset, which results from customers who cannot pay their outstanding balance. In 2022 an impairment loss of $0.8 million (2021 – $1.0 million) was recognized which related to customers that were not able to pay their outstanding balances, mainly due to the customer having insufficient cash or other financial assets. During the period, the impairment loss as a percentage of consolidated revenue was an insignificant amount (2021 – 0.07 percent). Mullen Group establishes, on a specific account basis, an allowance for impairment loss that represents its estimate of potential losses in respect of trade receivables. ▶ **For more information, refer to Note 7**.

(b) Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to satisfy its obligations associated with its financial liabilities that are to be settled by delivering cash as they become due. Mullen Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit facilities to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Mullen Group manages liquidity risk by preparing, monitoring and approving annual operating budgets to ensure it has sufficient cash to meet operational requirements, and to ensure its ongoing compliance with its Private Placement Debt covenants. The Board also considers liquidity risk when approving Mullen Group's annual net capital expenditure budget and when declaring dividends to shareholders. Mullen Group's surplus cash is invested in short-term highly liquid term deposits. At December 31, 2022, Mullen Group had $22.8 million drawn on its Credit Facilities. ▶ **For more information, refer to Note 21**.

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

The following are the contractual maturities of financial liabilities, excluding the impact of any option to purchase equipment at the end of the term:

December 31, 2022	Carrying amount	Contractual cash flows	Twelve months or less	2024 - 2025	2026 - 2027	Thereafter
Private Placement Debt*	**$ 480,675**	**$ 481,158**	**$ —**	**$ 246,465**	**$ 234,693**	**$ —**
Interest on Private Placement Debt*	**3,621**	**52,868**	**18,893**	**26,416**	**7,559**	**—**
Debentures	**115,806**	**125,000**	**—**	**—**	**125,000**	**—**
Interest on the Debentures	**599**	**28,159**	**7,188**	**14,375**	**6,596**	**—**
Lease liabilities	**91,863**	**107,229**	**25,178**	**36,018**	**19,790**	**26,243**
Various financing loans	**1,135**	**1,135**	**213**	**922**	**—**	**—**
Accounts payable and accrued liabilities(1)	**146,803**	**146,803**	**146,803**	**—**	**—**	**—**
Dividends payable	**5,577**	**5,577**	**5,577**	**—**	**—**	**—**
Total	**$ 846,079**	**$ 947,929**	**$ 203,852**	**$ 324,196**	**$ 393,638**	**$ 26,243**

* *Assumes a U.S. dollar foreign exchange rate of $1.3544.*

(1) *Accounts payable and accrued liabilities of $146,803 plus $3,621 of interest on Private Placement Debt and $599 of interest on the Debentures agrees to the $151,023 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.*

December 31, 2021	Carrying amount	Contractual cash flows	Twelve months or less	2023 - 2024	2025 - 2026	Thereafter
Private Placement Debt*	$ 460,660	$ 461,326	$ —	$ 236,333	$ 224,993	$ —
Interest on Private Placement Debt*	3,473	72,303	18,122	34,488	19,693	—
Debentures	113,458	125,000	—	—	125,000	—
Interest on the Debentures	599	35,945	7,188	14,375	14,382	—
Lease liabilities	81,253	94,147	21,061	30,735	15,240	27,111
Various financing loans	899	899	54	116	729	—
Accounts payable and accrued liabilities(1)	140,126	140,126	140,126	—	—	—
Dividends payable	3,781	3,781	3,781	—	—	—
Total	$ 804,249	$ 933,527	$ 190,332	$ 316,047	$ 400,037	$ 27,111

* *Assumes a U.S. dollar foreign exchange rate of $1.2678.*

(1) *Accounts payable and accrued liabilities of $140,126 plus $3,473 of interest on Private Placement Debt and $599 of interest on the Debentures agrees to the $144,198 of accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.*

All of the above amounts relate to non-derivative financial instruments.

(c) Market Risk

Market risk is the potential for adverse changes associated with fluctuations in foreign exchanges rates, interest rates and equity prices and their corresponding impact on the fair value or future cash flows of Mullen Group's financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Foreign Exchange Risk

Foreign exchange risk arises as Mullen Group enters into commercial transactions that are not denominated in its functional currency. Mullen Group is exposed to foreign exchange risk, primarily with respect to the U.S. dollar which mainly arises from its U.S. $229.0 million Senior Guaranteed Unsecured Notes ("**U.S. Notes**"). These U.S. Notes mature in 2024 (U.S. $117.0 million) and in 2026 (U.S. $112.0 million). Mullen Group has mitigated its foreign exchange risk with respect to the principal portion of its U.S. Notes by entering into the Cross-Currency Swaps. Annual interest of U.S. $8.9 million is payable on these U.S. Notes which also exposes Mullen Group to foreign exchange risk. This foreign exchange risk is mitigated as some of Mullen Group's Business Units generate a portion of their revenue in U.S. dollars in excess of their U.S. dollar expenses. At December 31, 2022, Mullen Group had U.S. dollar cash (borrowings) of $9.6 million (2021 – $(8.1) million), U.S. dollar trade receivables of $22.4 million (2021 – $31.6 million) and U.S. dollar accounts payable and accrued liabilities of $16.3 million (2021 – $22.6 million). Mullen Group does not hedge any of its U.S. dollar denominated commercial and financing transactions.

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

All of the amounts expressed in the following table are in U.S. dollars and set forth Mullen Group's exposure to foreign currency risk:

		December 31 2022		December 31 2021
Cash (bank indebtedness)	**$**	**9,618**	$	(8,107)
Trade and other receivables		**22,147**		31,580
Derivative financial instruments		**34,285**		29,494
Private Placement Debt		**(229,000)**		(229,000)
Accounts payable and accrued liabilities		**(16,251)**		(22,642)
Net exposure	**$**	**(179,201)**	$	(198,675)

At December 31, 2022, assuming all other variables were held constant, a $0.01 strengthening of the Canadian dollar relative to the U.S. dollar would have increased income before income taxes by approximately $1.8 million. Similarly, a $0.01 weakening of the Canadian dollar relative to the U.S. dollar at December 31, 2022 would have had the equal but opposite effect on income before income taxes.

(ii) *Interest Rate Risk and Fair Value Sensitivity Analysis for Fixed Rate Instruments*

Interest rate risk arises on borrowings issued at variable rates which exposes risk to future cash flows if interest rates were to rise. This risk would be partially offset by cash held at variable rates. Mullen Group's Private Placement Debt and the Debentures are issued at fixed rates while the RBC Credit Facility and CIBC Credit Facility are issued at variable rates. Borrowings issued at fixed rates expose Mullen Group to fair value interest rate risk. Mullen Group is susceptible to the opportunity costs associated with interest rate decreases as the interest rate on the majority of its borrowings is at fixed interest rates. Assuming all other variables were held constant, if interest rates increase by 1.0 percent on the contractual cash flows of $606.2 million of Mullen Group's Private Placement Debt and the Debentures, Mullen Group would incur additional annual interest expense of approximately $6.1 million. Mullen Group does not account for any fixed rate financial assets and liabilities at FVTPL. Mullen Group does not hedge interest rates or have any interest rate swaps.

(iii) *Price Risk*

Price risk arises from changes in quoted prices on investments in equity securities that impact the underlying value of investments. Mullen Group has investments measured at fair value with an initial cost of $11.5 million. A $0.1 million increase in the fair value of these investments was recorded in 2022 as compared to a $1.2 million increase in 2021. Mullen Group recorded a $9.1 million decrease in the fair value of these investments on a cumulative basis. Assuming all other variables were held constant, a 1.0 percent increase in the value of the investments would have increased income before income taxes by approximately $0.1 million. Similarly, a 1.0 percent decrease in the value of investments would have an equal but opposite effect on income before income taxes.

(d) Capital Management

Mullen Group's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, and manage capital that will maintain compliance with its financial covenants so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Mullen Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Mullen Group may adjust the amount of dividends paid to shareholders, issue new debt, sell assets to reduce debt, or issue new shares.

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

Consistent with others in the industry, Mullen Group also monitors capital on the basis of debt-to-equity and total debt to operating cash flow. The debt-to-equity ratio is calculated as total debt divided by equity. Total debt is calculated as the total of bank indebtedness, current portion of long-term debt, long-term debt and the debt component of Debentures. Equity comprises all of the components of equity (i.e. share capital, Debentures – equity component, contributed surplus, accumulated other comprehensive income and retained earnings. Mullen Group's strategy is to maintain its debt-to-equity ratio below 1:1. The debt-to-equity ratio calculations at December 31, 2022 and at December 31, 2021 were as follows:

		December 31 2022		December 31 2021
Bank indebtedness	**$**	**22,800**	$	89,045
Lease liabilities		**91,863**		81,253
Long-term debt		**481,597**		461,505
Debentures – debt component		**115,806**		113,458
Various financing loans		**213**		54
Total debt		**712,279**		745,315
Share capital		**845,267**		853,614
Debentures – equity component		**9,116**		9,116
Contributed surplus		**18,619**		22,578
Accumulated other comprehensive income		**2,868**		1,088
Retained earnings		**97,527**		2,268
Equity	**$**	**973,397**	$	888,664
Debt to equity		**0.73:1**		0.84:1

Mullen Group also monitors capital on the basis of total debt to operating cash flow. The total debt to operating cash flow ratio is calculated as per the Private Placement Debt agreements. Other than the financial covenants under its Private Placement Debt, Mullen Group is not subject to externally imposed capital requirements. ▶ **For more information, refer to Note 21**.

32. Subsidiaries

The tables set forth below provide information relative to Mullen Group's significant subsidiaries and its Business Units, including each entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Mullen Group, a brief description of the entity, and the market areas served, if applicable. The percentages of ownership set forth below include the approximate one percent interest owned by the general partner of each limited partnership.

Significant Subsidiaries:

Company (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (directly / indirectly)	Overview	Primary Market Area
MT Investments Inc. (Alberta)	100%	Wholly-owned subsidiary of Mullen Group Ltd. It was formed on July 1, 2005, when Mullen Transportation Inc. was amalgamated with certain other corporations pursuant to a plan of arrangement under the *Business Corporations Act* (Alberta) to form a corporation known as MT Investments Inc.	N/A
MGL Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on December 22, 2016. It is the limited partner of various Business Units.	N/A

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

Less-Than-Truckload Segment:

Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
APPS Cargo Terminals Inc. [1] (Canada)	100%	Western Canada
APPS Cartage Inc.[1] (Ontario)	100%	Western Canada
Argus Carriers Ltd. (British Columbia)	100%	Lower Mainland British Columbia
DirectIT Group of Companies[2] (Alberta)	100%	Southern Alberta
Gardewine Group Limited Partnership[3] (Manitoba)	100%	Manitoba and Ontario
Grimshaw Trucking L.P. (Alberta)	100%	Northern Alberta
Hi-Way 9 Express Ltd. (Alberta)	100%	Southern Alberta
Jay's Transportation Group Ltd. (Saskatchewan)	100%	Saskatchewan
Number 8 Freight Ltd. (British Columbia)	100%	Lower Mainland British Columbia
Pacific Coast Express Limited (Alberta)	100%	Western Canada
Willy's Trucking Service[4] (Alberta)	100%	Northern Alberta

[1] *Acquired June 24, 2021.*
[2] *Acquired October 1, 2021.*
[3] *On January 1, 2022, the operations of Courtesy Freight Systems Ltd. and R.S. Harris Transport Ltd., were integrated into Gardewine Group Limited Partnership.*
[4] *Acquired May 1, 2022.*

Logistics & Warehousing Segment:

Business Unit (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
24/7 The Storehouse (2015) Ltd. (British Columbia)	100%	British Columbia
Bandstra Transportation Systems Ltd.[1] (British Columbia)	100%	British Columbia
Caneda Transport Ltd. (Alberta)	100%	Canada and U.S.
Cascade Carriers L.P. (Alberta)	100%	Western Canada
DWS Logistics Inc. (Ontario)	100%	Ontario
International Warehousing & Distribution Inc. (Ontario)	100%	Ontario
Kleysen Group Ltd. (Alberta)	100%	Western Canada
Mullen Trucking Corp.[2] (Alberta)	100%	Canada and U.S.
Payne Transportation Ltd. (Alberta)	100%	Canada and U.S.

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

Logistics & Warehousing Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
RDK Transportation Co. Inc. (Saskatchewan)	100%	Canada and U.S.
Tenold Transportation Ltd.[3] (Alberta)	100%	Canada and U.S.
Tri Point Intermodal Services Inc.[4] (Ontario)	100%	Greater Toronto Area

[1] Acquired April 16, 2021.

[2] On January 1, 2022, the operations of Canadian Hydrovac Ltd. were integrated into Mullen Trucking Corp.

[3] On January 1, 2022, the operations of Inter-Urban Delivery Service Ltd. were integrated into Tenold Transportation Ltd.

[4] Acquired June 1, 2021.

Specialized & Industrial Services Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
Babine Truck & Equipment Ltd.[1] (British Columbia)	100%	Western Canada
Canadian Dewatering L.P. (Alberta)	100%	Western Canada
Cascade Energy Services L.P. (Alberta)	100%	Western Canada
Cordova Oilfield Services Ltd.[2] (British Columbia)	100%	Western Canada
E-Can Oilfield Services L.P. (Alberta)	100%	Western Canada
Envolve Energy Services Corp. (Alberta)	100%	Western Canada
Formula Powell L.P. (Alberta)	100%	Western Canada
Heavy Crude Hauling L.P. [3] (Alberta)	100%	Western Canada
Mullen Oilfield Services L.P. (Alberta)	100%	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Western Canada
Premay Equipment L.P. (Alberta)	100%	Western Canada
Premay Pipeline Hauling L.P. (Alberta)	100%	Western Canada
Smook Contractors Ltd. (Manitoba)	100%	Northern Manitoba
Spearing Service L.P. (Alberta)	100%	Western Canada
TREO Drilling Services L.P. (Alberta)	100%	Western Canada

[1] Acquired April 16, 2021.

[2] Acquired November 1, 2022.

[3] On January 1, 2022, the operations of Recon Utility Search L.P. were combined into Heavy Crude Hauling L.P.

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

U.S. & International Logistics Segment:		
Business Unit (Jurisdiction of Incorporation / Formation)	**Percentage owned by Mullen Group (indirectly)**	**Primary Market Area**
HAUListic LLC[1] (Delaware)	100%	North America

[1] Acquired June 30, 2021.

33. Changes in Non-Cash Working Capital

	Years ended December 31	
	2022	**2021**
Trade and other receivables	**$ (30,060)**	$ 1,261
Inventory	**(6,884)**	(2,541)
Prepaid expenses	**333**	(1,876)
Accounts payable and accrued liabilities	**8,229**	(1,089)
	$ (28,382)	$ (4,245)

	Years ended December 31	
	2022	**2021**
Changes in non-cash working capital items from:		
Operating activities	**$ (28,854)**	$ (5,615)
Financing activities	**148**	(9)
Investing activities	**324**	1,379
	$ (28,382)	$ (4,245)

34. Operating Segments

Judgements: Judgements are made by management in applying the aggregation criteria to allow two or more operating segments to be aggregated based upon similar economic characteristic and other similarities.

Policy: Business Units are grouped into four distinct operating segments: Less-Than-Truckload segment, Logistics & Warehousing segment, Specialized & Industrial Services segment, and U.S. & International Logistics segment (the "**Operating Segments**"), all of which are supported by a Corporate segment. The Business Units within each of the Operating Segments share common economic characteristics and are differentiated by the type of service provided, equipment requirements and customer needs. The Operating Segments' financial results are reviewed regularly by the Corporation's chief operating decision-maker who makes decisions about resource allocation and assess segment performance based on the internally prepared segment information.

Supporting information: In the third quarter of 2021, Mullen Group commenced reporting its financial results in four operating segments. These four operating segments have been differentiated by the sector of the economy in which the businesses operate, the type of services provided, the equipment requirements and the customer needs. The Less-Than-Truckload segment provides final or last mile delivery of general freight consisting of smaller shipments, packages and parcels. Through an extensive terminal network, the pickup, handling and delivery of a wide range of freight including ambient, temperature controlled and consumer goods is coordinated from regional hubs located in Ontario and western Canada. The Logistics & Warehousing segment provides shippers throughout North America with a wide range of trucking and logistics service offerings including full truckload, specialized transportation, warehousing, fulfillment centres that handle e-commerce transactions, and transload facilities designed for intermodal and bulk shipments. The Specialized & Industrial Services segment provides specialized equipment and services to the oil and natural gas, environmental, construction, pipeline, utility, telecom and civil industries. The U.S. & International Logistics segment provides third-party logistics services focused on freight brokerage across multiple modes of transportation. This new segment resulted from the acquisition of the assets and business of QuadExpress. ▶ **For more information, refer to Notes 5 and 24.**

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

The following tables provide financial results by segment:

						Intersegment eliminations				
Year ended December 31, 2022	**Less-Than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**U.S. & International Logistics**	**Corporate**	**Less-Than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**U.S. & International Logistics**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	**778,728**	**609,288**	**400,605**	**221,844**	**4,452**	**(2,411)**	**(4,818)**	**(8,235)**	**—**	**1,999,453**
Income (loss) before income taxes	**77,588**	**114,807**	**33,213**	**(448)**	**(14,279)**	**—**	**—**	**—**	**—**	**210,881**
Depreciation of property, plant and equipment	**20,641**	**15,868**	**26,493**	**1,953**	**6,167**	**—**	**—**	**—**	**—**	**71,122**
Amortization of intangible assets	**8,251**	**6,266**	**925**	**1,760**	**—**	**—**	**—**	**—**	**—**	**17,202**
Capital expenditures[(1)]	**31,309**	**22,487**	**11,374**	**—**	**17,495**	**(166)**	**(951)**	**(138)**	**—**	**81,410**
Total assets at December 31, 2022	**544,792**	**397,865**	**383,443**	**69,471**	**600,560**	**—**	**—**	**—**	**—**	**1,996,131**

[(1)] *Excludes business acquisitions.*

						Intersegment eliminations				
Year ended December 31, 2021	**Less-Than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**U.S. & International Logistics**	**Corporate**	**Less-Than-Truckload**	**Logistics & Warehousing**	**Specialized & Industrial Services**	**U.S. & International Logistics**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	585,318	465,614	313,394	118,193	3,889	(1,442)	(4,009)	(3,523)	—	1,477,434
Income (loss) before income taxes	41,301	50,959	10,174	1,930	(8,369)	—	—	—	—	95,995
Depreciation of property, plant and equipment	18,847	13,078	34,148	945	6,193	—	—	—	—	73,211
Amortization of intangible assets	8,597	7,776	5,679	839	—	—	—	—	—	22,891
Capital expenditures[(1)]	28,962	17,538	11,020	—	12,124	(57)	(882)	(501)	—	68,204
Total assets at December 31, 2021	517,659	366,624	385,411	80,816	571,486	—	—	—	—	1,921,996

[(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 Senior Executive Officer 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.

The following geographical information is based upon the Business Unit's head office location for the year ended December 31, 2022.

2022		**Revenue**		**OIBDA**		**Property, Plant and Equipment**		**Total Non-Current Assets**		**Total Assets**
Canada	**$**	**1,777,609**	**$**	**324,147**	**$**	**980,608**	**$**	**1,587,359**	**$**	**1,926,660**
United States*		**221,844**		**5,742**		**1,016**		**48,448**		**69,471**
Total	**$**	**1,999,453**	**$**	**329,889**	**$**	**981,624**	**$**	**1,635,807**	**$**	**1,996,131**

* *Commenced U.S. operations on June 30, 2021.*

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

35. Related Party Disclosures

(a) Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of Mullen Group, including all of its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a combination of retainer fees and meeting attendance fees. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and share-based compensation payments. Executives of Mullen Group do not have formal employment contracts. Similar to the employment processes established for all Mullen Group employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with Mullen Group. Mullen Group has no agreement or arrangement with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Business Units or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows: ▶ **For more information, refer to Note 27**.

	Years Ended December 31	
Category	**2022**	**2021**
Salaries and benefits (including profit share)	$ **2,223**	$ 1,578
Share-based payments	**49**	20
Total	$ **2,272**	$ 1,598

Mullen Group had no outstanding amounts owing to or amounts receivable from directors or officers at December 31, 2022, and 2021, with respect to the overall compensation program for executives. As at December 31, 2022, directors and officers of Mullen Group collectively held 5,704,999 Common Shares (2021 – 5,590,625) representing 6.1 percent (2021 – 5.9 percent) of all Common Shares of the Corporation. As at December 31, 2022, directors and officers of Mullen Group held $4.9 million (2021 – $4.9 million) of Debentures under the same terms and conditions as those issued to unrelated third parties. The majority of the Debentures outstanding at December 31, 2022 were held by Murray K. Mullen ($4.4 million). Other than these $4.9 million of Debentures, Mullen Group has no contracts with its key management personnel.

(b) Related Party Transactions

During the year, Mullen Group generated revenue of $7,367 (2021 – $8,650) and incurred expenses of $6,000 (2021 – nil) with entities that are related by virtue of David E. Mullen, a Board member having control or joint control over the other entities. There was no accounts receivable amounts due from these related parties as at December 31, 2022 and 2021.

During the year, Mullen Group generated revenue of $4.9 million (2021 – $3.4 million), incurred expenses of $0.3 million (2021 – $0.2 million) and sold nil (2021 – $550,000) of property, plant and equipment with its equity investees, which are accounted for by the equity method of accounting. As at December 31, 2022, there was $1.8 million (2021 – $2.0 million) of accounts receivable amounts due from equity investees, including debentures owing from Thrive at an interest rate of 10.0 percent per annum calculated and payable semi-annually that mature in 2023. There was $30,225 (2021 – $1,400) of accounts payable amounts due to equity investees.

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

36. Subsequent Events

Subsequent to December 31, 2022, until the date of this report, the Corporation repurchased 93,560 Common Shares at a total cost of $1.3 million.

On January 10, 2023, the Corporation entered into a long term land lease, whereby it plans to construct a facility to expand its extensive terminal network to coordinate the transportation, handling, and distribution of a wide range of freight. The land lease is scheduled to commence in October 2024. The Corporation paid a $2.0 million deposit in 2023 to the landlord to secure the land lease, which is non-refundable and subject to certain covenants and conditions.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

Murray K. Mullen
Chair of the Board, Senior Executive Officer, President and Director

Sonia Tibbatts, MBA
Lead Director

Benoit Durand, CFA, ICD.D
Director

Stephen H. Lockwood, LLB
Director

Christine E. McGinley, CPA, CA, ICD.D
Director

David E. Mullen
Director

Jamil Murji, CFA
Director

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

Richard Whitley, FCPA, FCA
Director

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

Richard J. Maloney
Senior Operating Officer

Joanna K. Scott
Senior Corporate Officer

Carson Urlacher, CPA, CA
Senior Accounting Officer

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Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

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ONLINE INFORMATION

*To receive news releases by email, or to review this report online, please visit Mullen Group's website at **www.mullen-group.com**.*

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