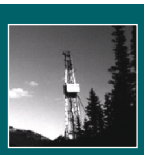
Mullen Group Ltd.

Q3

INTERIM REPORT

Period Ended September 30, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated October 19, 2016, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three and nine month periods ended September 30, 2016, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2015 (the "**Annual Financial Statements**"), together with the Management's Discussion and Analysis thereon (the "**2015 MD&A**"), and (ii) the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2016, (the "**Interim Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information are available on SEDAR at www.sedar.com and at www.mullen-group.com. These documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on October 19, 2016.

ACCOUNTING PRINCIPLES

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

ADVISORY:

Forward-looking statements - *This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to strategic, financial and operational risks, most important of which are reduced oil and natural gas drilling, decreased oil sands and heavy oil activity, a slowdown in the general economy, currency exchange rates, change in the return on fair value of investments, prevailing interest rates, regulatory framework governing taxes and environmental matters in the jurisdictions in which the Corporation conducts and will conduct its business, customer relationships, labour disruption and driver retention, accidents, cost of liability insurance, fuel prices, ability to access sufficient capital from internal and external sources and changes in legislation including but not limited to tax laws and environmental regulations. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 59 of the 2015 MD&A as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 50 of this MD&A.*

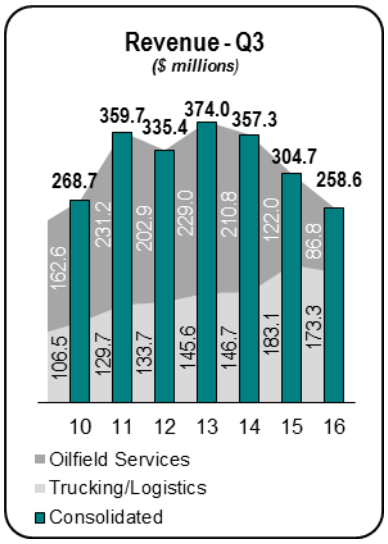
Non-GAAP and Additional GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its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

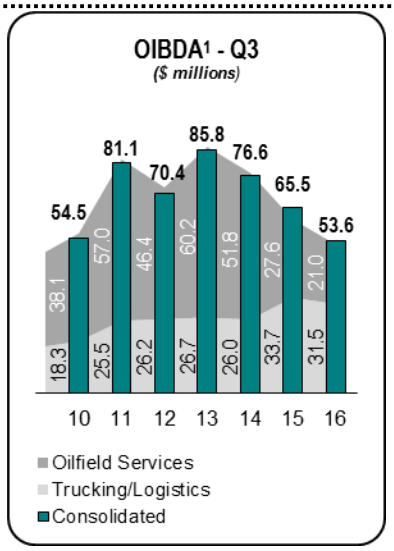
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

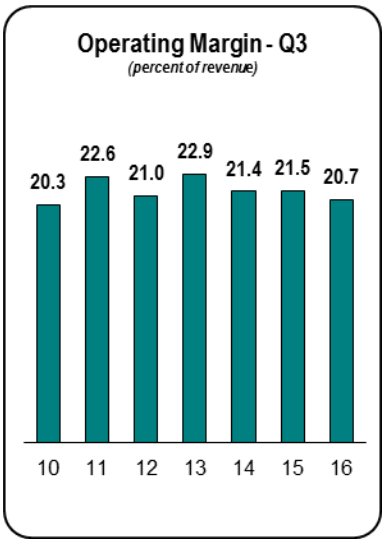
HIGHLIGHTS FOR THE QUARTER

PERFORMANCE: *(unaudited)* *($ millions, except share price and per share amounts)*	Three month periods ended September 30			Nine month periods ended September 30		
	2016	2015	% Change	2016	2015	% Change
Financial Results						
Revenue	**$ 258.6**	$ 304.7	(15.1)	**$ 777.3**	$ 926.7	(16.1)
Operating income before depreciation and amortization[1] [2]	**53.6**	65.5	(18.2)	**138.5**	176.7	(21.6)
Operating income before depreciation and amortization – adjusted[1] [2]	**52.1**	59.4	(12.3)	**144.2**	164.3	(12.2)
Net unrealized foreign exchange loss (gain)	**5.0**	10.2	(51.0)	**(17.2)**	29.1	(159.1)
Decrease (increase) in fair value of investments	**(4.4)**	7.4	(159.5)	**(0.1)**	15.9	(100.6)
Net income	**17.6**	7.3	141.1	**52.7**	11.0	379.1
Net income – adjusted[1]	**18.9**	24.1	(21.6)	**36.2**	60.2	(39.9)
Net cash from operating activities	**44.4**	42.2	5.2	**127.8**	146.8	(12.9)
Cash dividends declared to common shareholders	**9.3**	27.5	(66.2)	**44.9**	82.5	(45.6)
Financial Position						
Cash and cash equivalents	**$ 261.3**	$ 140.6	85.8	**$ 261.3**	$ 140.6	85.8
Long-term debt (includes the current portion thereof and the debt component of Debentures)	**686.1**	764.5	(10.3)	**686.1**	764.5	(10.3)
Total assets	**1,886.5**	1,844.3	2.3	**1,886.5**	1,844.3	2.3
Share Information						
Cash dividends declared per Common Share	**$ 0.09**	$ 0.30	(70.0)	**$ 0.47**	$ 0.90	(47.8)
Earnings per share – basic	**$ 0.17**	$ 0.08	112.5	**$ 0.54**	$ 0.12	350.0
Earnings per share – diluted	**$ 0.17**	$ 0.08	112.5	**$ 0.54**	$ 0.12	350.0
Earnings per share – adjusted[1]	**$ 0.18**	$ 0.26	(30.8)	**$ 0.37**	$ 0.65	(43.1)
Share price – September 30	**$ 16.46**	$ 17.85	(7.8)	**$ 16.46**	$ 17.85	(7.8)
Other Information						
Net capital expenditures[1]	**$ 3.5**	$ 12.7	(72.4)	**$ 12.0**	$ 58.2	(79.4)
Acquisitions	**$ 3.6**	$ —	100.0	**$ 3.6**	$ 166.0	(97.8)

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".
[2] Prior to 2016, Mullen Group used the term "operating income", which has been replaced by the additional GAAP term "operating income before depreciation and amortization" or "OIBDA".







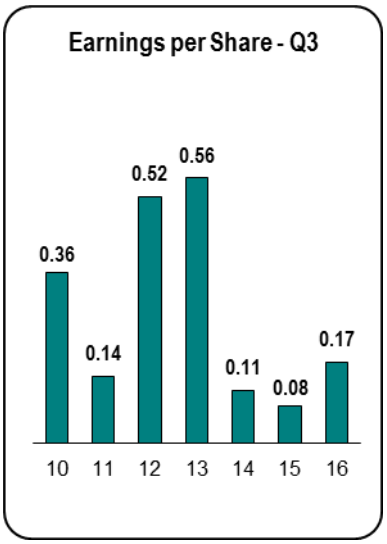
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

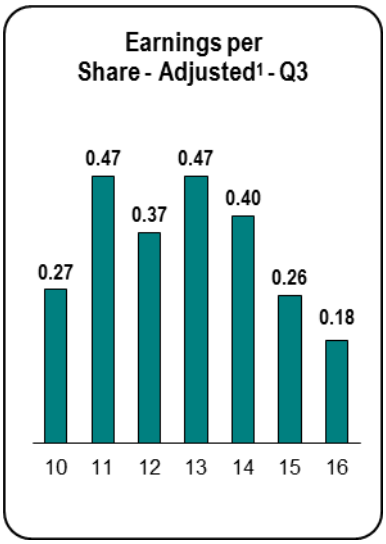
POSITION:

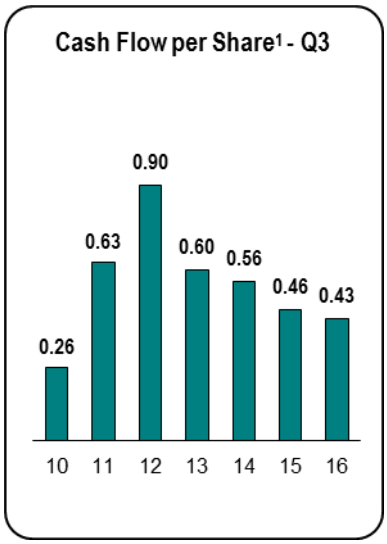
- Working capital: $238.8 million (includes $261.3 million of cash and cash equivalents)
- Net debt[1]: $314.4 million (long-term debt plus the debt component of Debentures less working capital)
- Net debt[1] to trailing twelve months OIBDA[1]: 1.64:1

PROGRESS:

- Closed the acquisitions of Caneda Transport Inc., Motrux Inc. and acquired the business of Northern Frontier Logistics LP (formerly Central Water & Equipment Services Ltd.)
- Increased our cash position by $25.1 million in the third quarter of 2016 to $261.3 million due to increased net cash from operations, reductions in capital expenditures and lower dividends paid
- Net cash from operating activities increased by $2.2 million or 5.2 percent to $44.4 million in 2016 from $44.2 million in 2015
- Effective cost management led to improved OIBDA[1] margins within the Oilfield Services segment despite drilling activity experiencing multi-year lows in the third quarter
- OIBDA[1] margins within the Trucking/Logistics segment remained fairly consistent on a year over year basis despite the lack of growth in the overall economy







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

EXECUTIVE SUMMARY

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ending September 30, 2016 were negatively impacted by: (i) the continued lack of demand in the Oilfield Services segment with drilling activity experiencing multi-year lows; (ii) the ongoing economic slowdown in Alberta; and (iii) a slowing of investment in major capital projects.

The highlights for the quarter are as follows:

- increased cash balance by $25.1 million to $261.3 million
- generated consolidated revenue of $258.6 million, a decrease of $46.1 million, or 15.1 percent, as compared to $304.7 million in 2015 due to:
    - a $35.2 million decline in the Oilfield Services segment
    - a $9.8 million decline in the Trucking/Logistics segment
- earned consolidated operating income before depreciation and amortization ("**OIBDA**")[1] of $53.6 million, a decrease of $11.9 million as compared to $65.5 million in 2015 due to:
    - a $6.6 million decline in the Oilfield Services segment
    - a $2.2 million decline in the Trucking/Logistics segment
    - a $3.1 million increase in Corporate Office (as hereafter defined on page 7) costs due to a $4.6 million negative variance in foreign exchange
- *adjusting for the impact of foreign exchange gains at Corporate Office, operating income before depreciation and amortization ("**OIBDA – adjusted**")[1] was $52.1 million, or 20.1 percent of revenue, as compared to $59.4 million, or 19.5 percent of revenue in 2015. These results more accurately reflect the operating performance of Mullen Group.*

Third Quarter Financial Results

For the three month period ended September 30, 2016, revenue decreased by $46.1 million, or 15.1 percent, to $258.6 million as compared to $304.7 million in 2015, due to a $35.2 million decline in revenue in the Oilfield Services segment and a $9.8 million decrease in the Trucking/Logistics segment. The $35.2 million decrease in revenue in the Oilfield Services segment was due to the prolonged decline in drilling activity and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units (as hereafter defined on page 7) involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and to a lesser extent, lower demand for services related to large diameter pipeline construction projects and dewatering services. These decreases were somewhat offset by an increase in demand for specialized freight services associated with Alberta's oil sands region. The Trucking/Logistics segment experienced a $9.8 million decrease in revenue, which was mainly due to lower demand for freight services predominately within Alberta and lower fuel surcharge revenue. These decreases were somewhat offset by $3.3 million of incremental revenue generated from acquisitions as well as from greater revenue generated by Smook Contractors Ltd. ("**Smook Contractors**") and Mullen Trucking L.P. ("**Mullen Trucking**").

OIBDA[1] for the third quarter was $53.6 million, a decrease of $11.9 million or 18.2 percent over the same period in 2015. Adjusting for the Corporate Office costs related to the impact of foreign exchange gains and losses on U.S. dollar cash held, OIBDA – adjusted[1] was $52.1 million, a decrease of $7.3 million or 12.3 percent as compared to $59.4 million in 2015. The Oilfield Services segment generated OIBDA[1] of $21.0 million, a decline of $6.6 million due to reduced drilling activity and a very challenging operating environment, while the Trucking/Logistics segment generated OIBDA[1] of $31.5 million, a decrease of $2.2 million or 6.5 percent from 2015. Stated as a percentage of consolidated revenue, OIBDA – adjusted[1] increased to 20.1 percent as compared to 19.5 percent in 2015. As a percentage of segment revenue, margins in the Oilfield Services segment increased to 24.2 percent from 22.6 percent in 2015 due to our highly adaptable and diversified business model along with cost control initiatives. Margins in the Trucking/Logistics segment decreased to 18.2 percent as compared to 18.4 percent and was mainly due to slightly higher selling and administrative expenses as a percentage of this segment's revenue.

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

In the third quarter of 2016, Mullen Group generated net income of $17.6 million or $0.17 per share, an increase of $10.3 million, or 141.1 percent, compared to $7.3 million or $0.08 per share in 2015. The $10.3 million increase in net income was mainly attributable to an $11.8 million positive variance in the fair value of investments and a $5.2 million positive variance in net unrealized foreign exchange. These increases were partially offset by an $11.9 million decrease in OIBDA[1].

The markets remained under stress during the quarter with demand levels hampered by a lack of growth in the overall economy and continued weakness in the oil and gas sector. In addition, pricing pressures across most sectors of our markets continued to be negatively impacted by undisciplined competitors. As a result, both operating segments underperformed relative to last year. However, we were able to maintain respectable operating margins due to our continued focus on managing costs and improving operating efficiencies throughout all of our Business Units. In the absence of any growth we have adjusted our cost structure.

Financial Position

At September 30, 2016, Mullen Group had $238.8 million of working capital (December 31, 2015 - $187.1 million) including $261.3 million of cash and cash equivalents (December 31, 2015 - $147.2 million), net debt[1] of $314.4 million (December 31, 2015 - $522.0 million) and had access to additional funding of $75.0 million from our undrawn Bank Credit Facility (as hereafter defined on page 42). On May 17, 2016, Mullen Group closed a bought deal offering (the "**Offering**") and a non-brokered private placement (the "**Private Placement**") for net proceeds of $153.1 million. The Corporation's long-term debt consists mainly of its Private Placement Debt (as hereafter defined on page 14) of U.S. $314.0 million and Canadian $261.0 million. The weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt is 4.43 percent and 4.58 percent, respectively. The majority of this debt matures on October 22, 2024 and October 22, 2026. In July 2014 Mullen Group entered into two cross-currency swap contracts to swap the principal portion of $229.0 million of U.S. dollar debt into a Canadian currency equivalent of $254.1 million for an average exchange rate of $1.1096. At September 30, 2016, the carrying value of these Cross-Currency Swaps (as hereafter defined on page 14) was $34.4 million and is recorded within derivative financial instruments ("**Derivatives**") on Mullen Group's consolidated statement of financial position. The net book value of property, plant and equipment was $954.5 million, the majority consists of $459.7 million of real property (carrying cost of $510.7 million) and $397.5 million of trucks and trailers.

Corporate

Also in the quarter, Mullen Group acquired three small businesses at compelling valuations. First, Motrux Inc. ("**Motrux**"), a truckload carrier based in the lower mainland of British Columbia, operating a fleet of 17 owner operators was integrated into Mullen Trucking. Second, Mullen Group acquired the business and assets of Northern Frontier Logistics LP and Northern Frontier GP Corp. (collectively, "**Northern Frontier**") from a receiver. Formerly known as Central Water & Equipment Services Ltd., Northern Frontier provides hydrostatic-testing services to the pipeline industry and midstream sector, as well as fluid transfer and water management services to construction and mine sites, municipalities and the energy sector. Northern Frontier's business and assets were integrated into Canadian Dewatering L.P. ("**Canadian Dewatering**"). Third, Mullen Group executed an agreement to acquire Calgary based Caneda Transport Inc. ("**Caneda**") and its Calgary terminal on October 1, 2016. In addition to Calgary, Alberta, Caneda operates terminals in Mississauga, Ontario and Mira Loma, California and provides less-than-truckload, truckload, dedicated and intermodal services throughout Canada and western United States. Caneda operates a fleet of 55 power units and 110 trailers, employing 50 personnel and 41 owner operators. Caneda will operate as a stand-alone Business Unit within the Trucking/Logistics segment.

The challenging market conditions are now creating acquisition opportunities that we have not seen for many years. In the quarter we completed a sequence of investments that fit our strategic as well as our disciplined financial approach to acquisitions. And while not significant in terms of size, these transactions do indicate that the market for acquisitions has changed significantly this year. Acquisitions are the only viable way of mitigating this slow growth business cycle and we fully expect that we can use our strong balance sheet as a competitive advantage, positioning Mullen Group for the future.

Nine Month Period Ended Financial Results

Consolidated revenue in the first nine months of 2016 decreased to $777.3 million, or 16.1 percent, as compared to $926.7 million in 2015. Revenue in the Oilfield Services segment decreased by $125.3 million, or 32.0 percent, to $266.1 million as compared to $391.4 million in the same period one year earlier. This decrease was due to

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

lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells, a reduction in revenue from those Business Units most directly tied to oil and natural gas drilling activity in western Canada, lower demand for services from Alberta's oil sands region along with the cancellation of core drilling programs. These decreases were partially offset by greater demand for services related to large diameter pipeline construction projects. Revenue in the Trucking/Logistics segment decreased by $20.8 million, or 3.9 percent, to $516.5 million from $537.3 million in 2015. This decrease was due to decreased demand for most freight services in western Canada, and Alberta in particular and lower fuel surcharge revenue. These decreases were partially offset by revenue generated by Kleysen Group L.P. ("**Kleysen**") related to increased demand for transload services, modestly increased demand and market share gains in Manitoba and Saskatchewan as well as the incremental revenue related to the acquisition of Courtesy Freight Systems Ltd. ("**Courtesy**").

OIBDA – adjusted[1] for the first nine months of 2016 decreased to $144.2 million, or 12.2 percent, as compared to $164.3 million generated in the same period last year. The decrease of $20.1 million was primarily due to the Oilfield Services segment that experienced a $23.0 million decrease in OIBDA[1]. This decrease was somewhat offset by the Trucking/Logistics segment that experienced a $2.3 million increase in OIBDA[1]. Excluding the impact of foreign exchange gains and losses on U.S. dollar cash held, the Corporate Office recorded a $0.6 million decrease in its operating loss on a year over year basis due to lower salaries and stock-based compensation expense.

Net income in the first nine months of 2016 increased to $52.7 million, as compared to $11.0 million in 2015. The increase of $41.7 million was mainly attributable to a $46.3 million positive variance in net unrealized foreign exchange, a $16.0 million positive variance in the fair value of investments and an $11.2 million decrease in income tax expense. These increases were somewhat offset by a $38.2 million decrease in OIBDA[1].

OUTLOOK

The second quarter Interim Report, ended June 30, 2016, highlighted several factors that we believed would negatively impact future demand as well as pricing in both sectors of the economy that Mullen Group services – trucking and logistics services in Canada, and the oil and natural gas industry in western Canada. Our results for this period were generally consistent with this Outlook and expectations. In the Trucking/Logistics segment our 12 Business Units (as hereafter defined on page 7) generated solid results although lower on a year over year comparative basis. In the Oilfield Services segment drilling activity levels and capital investment in major projects remained well below prior year levels, a theme that continually negatively impacts even the best operators, including Mullen Group.

For the balance of 2016 we expect business to remain challenging. The demand for trucking and logistics in Canada is expected to remain soft principally due to the lack of any real growth in the Canadian economy, a trend confirmed by the Bank of Canada as well as many economists. In addition, the Province of Alberta remains mired in a difficult and deep recession. Given these expectations we anticipate freight demand to be price sensitive and competitive. In the oil and gas sector of the economy there are few changes to the challenges we have highlighted in the past. Capital investment in long lead projects such as oil sands development, the build out of greenfield LNG ventures or pipeline construction activity, like the Energy East proposal, remain on hold due to uncertainty over government policies, regulatory approvals and commodity prices. Drilling activity, however, in western Canada appears to have bottomed and we expect some modest sequential improvement in activity levels over the course of the next few quarters. Any recovery in drilling activity will benefit our nine Business Units tied to Production Services and Drilling Related Services. Overall, we anticipate demand and pricing to remain soft across most market segments.

It appears that the economy as well as the oil and gas industry are in the process of adjusting to the reality of low oil and gas prices, reduced capital investment and slower growth. In response, we will maintain our strategy of aggressively managing all costs and using our balance sheet to pursue acquisitions, which remains the only viable option to mitigate slowing demand in the markets we serve. We also are of the view that many competitors, which do not have the scale, size, diversity or balance sheet strength as Mullen Group, are vulnerable in today's ultra-competitive market. We continue to evaluate opportunities, however, any acquisition must be strategic and meet our financial requirements. Our expectation is that we will be able to enhance our competitive position in several key markets over the course of the next few quarters as industry capacity tightens.

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

CORPORATE OVERVIEW

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

Business

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

At September 30, 2016, the Trucking/Logistics segment consisted of 12 Business Units, offering a diversified range of truckload and less-than-truckload ("**LTL**") general freight services to customers in Canada and the United States. These services include transporting a wide range of goods including general freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and frac sand. In addition, the Trucking/Logistics segment provides logistics, warehousing and distribution, transload and intermodal services primarily in western Canada, as well as the production, excavation and transportation of various aggregate products.

Trucking/Logistics Segment:

Business Unit	Primary Service Provided
Bernard Transport Ltd.	Regional Scheduled LTL - Northern Alberta
Cascade Carriers L.P.	Dry Bulk Freight
Courtesy Freight Systems Ltd.[1]	Regional Scheduled LTL - Northern Ontario
Gardewine Group Limited Partnership[2]	Regional Scheduled LTL - Manitoba and Ontario & Specialized Transportation
Grimshaw Trucking L.P.	Regional Scheduled LTL - Northern Alberta
Hi-Way 9 Group of Companies	Regional Scheduled LTL - Southern Alberta
Jay's Transportation Group Ltd.	Regional Scheduled LTL - Saskatchewan
Kleysen Group L.P.	Irregular Route Truckload & Multi-Modal
Mullen Trucking L.P.	Irregular Route Truckload & Specialized Transportation
Payne Transportation L.P.	Irregular Route Truckload & Specialized Transportation
Smook Contractors Ltd.	Civil Construction
Tenold Transportation Limited Partnership	Irregular Route Truckload

[1] Acquired October 1, 2015
[2] Acquired January 9, 2015

At September 30, 2016, the Oilfield Services segment consisted of 15 Business Units that utilize their highly trained personnel and equipment to provide specialized transportation services, drilling, well-servicing and dewatering services to the oil and natural gas industry. These services include transporting of oversize and overweight shipments, conductor pipe setting, core drilling, casing setting, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, pipe stockpiling and stringing, a broad range of services related to the processing and production of heavy oil, including well servicing and handling, transportation and disposal of fluids, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation and drilling rig relocation services.

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

[1] On June 1, 2015, the operations of Majestic Oilfield Services Inc. were combined with Cascade Energy Services L.P.
[2] On January 1, 2015, the operations of Brady Oilfield Services L.P. were combined with Spearing Service L.P.

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 10, 2016 and is available on SEDAR at www.sedar.com, our website at www.mullen-group.com or upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com.

Capital Allocations

Bought Deal and Private Placement

On May 17, 2016, Mullen Group closed the Offering and the Private Placement by issuing a total of 11,993,250 Common Shares at a price of $13.30 per Common Share for gross proceeds of $159.5 million. The share issuance costs were $6.4 million resulting in net proceeds of $153.1 million. The net proceeds were used to repay the $35.0 million amount drawn on the Bank Credit Facility (as hereafter defined on page 42) with the remainder available to transact on potential strategic acquisitions, to support future growth initiatives and for general corporate purposes.

Dividends

Mullen Group declared monthly dividends of $0.10 per Common Share totalling $1.20 per Common Share in 2015. On December 16, 2015, Mullen Group's Board announced its intention to pay annual dividends of $0.96 per Common Share ($0.08 per Common Share on a monthly basis) for 2016. On April 20, 2016, the Board considered the amount of and the record date for the monthly dividend and determined that it was prudent to reduce the monthly dividend to $0.03 per Common Share commencing with the declaration of the May 2016 dividend. The Board will continue to consider the amount of the monthly dividend. This reduction will provide the Corporation with increased financial flexibility and protect our financial position during this time of low demand for services offered by our Oilfield Services segment.

For the four month period ended April 30, 2016, Mullen Group declared monthly dividends of $0.08 per Common Share totalling $0.32 per Common Share (2015 – $0.40 per Common Share). On April 20, 2016, the Board reduced the amount of the monthly dividend to $0.03 per Common Share commencing with the declaration of the May 2016 dividend. For the nine month period ending September 30, 2016, Mullen Group declared monthly dividends totalling $0.47 per Common Share (2015 – $0.90 per Common Share). At September 30, 2016, Mullen Group had 103,654,316 Common Shares outstanding and a dividend payable of $3.1 million (December 31, 2015 – $9.2 million), which was paid on October 17, 2016. Mullen Group also declared a dividend of $0.03 per Common Share on October 18, 2016, to the holders of record at the close of business on October 31, 2016.

Repayment of Private Placement Debt

On February 24, 2016, Mullen Group, at its sole discretion, gave notice to the holders of Series C ($70.0 million) Notes of its intention to repay these notes on March 30, 2016. The Series C Notes were originally set to mature on June 30, 2016. In conjunction with the repayment of the Series C Notes on March 30, 2016, Mullen Group was required to make a $0.8 million payment to the Series C noteholders. This $0.8 million payment was a direct result of Mullen Group's decision to prepay the Series C Notes prior to maturity and primarily consists of the net present value of the future interest payments on such notes that would have otherwise been paid to the noteholders. This $0.8 million payment was recognized as an expense in the first quarter of 2016 within finance costs in the statement of comprehensive income. This compares favourably to the scheduled second quarter interest expense of $1.0 million. The repayment of the Series C Notes will reduce the Corporation's annual interest obligation by $3.9 million.

Private Placement Debt – Amending Agreement

On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt (as hereafter defined on page 14) noteholders to amend certain financial covenant terms (the "**Amending Agreement**") up to and including March 31, 2018 (the "**Covenant Relief Period**"). The Amending Agreement replaces the financial covenant term total debt with total net debt[1] for financial covenant calculation purposes. During the Covenant Relief Period, total net debt[1] is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps (as hereinafter defined on page 14) plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt[1] will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same.

Acquisitions and Investments

2016

To date, Mullen Group has invested a total of $25.8 million of cash consideration as part of our ongoing acquisition strategy. The following describes the acquisitions completed in 2016.

Caneda Transport Inc. – On October 1, 2016, Mullen Group acquired all of the issued and outstanding shares of Caneda and affiliated companies. Concurrent to the closing of this transaction, Mullen Group also entered into an agreement to acquire its Calgary, Alberta facility. Caneda is a privately held company headquartered in Calgary, Alberta and primarily provides LTL services with terminals in Calgary, Alberta; Mississauga, Ontario; and Mira Loma, California. Mullen Group acquired Caneda as part of its strategy to invest in the transportation sector in North America. The financial results from Caneda's operations will be included in the Trucking/Logistics segment.

Northern Frontier Logistics LP – On September 28, 2016, Mullen Group acquired all of the business and assets of Northern Frontier. Formerly known as Central Water & Equipment Services Ltd., Northern Frontier provides hydrostatic-testing services to the pipeline industry and midstream sector, as well as fluid transfer and water management services to construction and mine sites, municipalities and the energy sector from terminals located in Saskatoon, Saskatchewan and Sherwood Park, Alberta. Mullen Group acquired the business and assets of Northern Frontier as part of its strategy to invest in the energy sector. Northern Frontier has been integrated into the operations of Canadian Dewatering, whose financial results are included in the Oilfield Services segment.

Motrux Inc. – On September 1, 2016, Mullen Group acquired all of the issued and outstanding shares of Motrux. Motrux is headquartered in Delta, British Columbia and provides transportation and logistics services mainly in western Canada. Mullen Group acquired Motrux as part of its strategy to invest in the transportation sector in Canada. The results from operations are integrated into the operations of Mullen Trucking, whose financial results are included in the Trucking/Logistics segment.

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

2015

Gardewine Group Limited Partnership – On January 9, 2015, Mullen Group acquired the business, including land and buildings, of the Manitoba based Gardewine Group Limited Partnership ("**Gardewine**") one of the largest privately owned transportation carriers in Canada, in an all cash transaction for total consideration of $171.8 million, which includes repaying $56.4 million of associated debt. Mullen Group recorded $166.0 million of cash used to acquire Gardewine on its consolidated statement of cash flows, which consists of $171.8 million of total cash consideration net of $3.8 million of cash acquired and $2.0 million allocated to the repayment of shareholder loans. Gardewine is comprised of the following businesses: Gardewine North, Northern Cartage, Northern Deck, Northern Bulk and Northern Logistics. Gardewine, a well-established and reputable company founded in 1952, provides both regional LTL, truckload and specialized truckload services primarily in Manitoba and Ontario operating a fleet of approximately 800 trucks and 1,500 trailers through a network of 22 owned and 11 leased terminals, employing over 1,500 employees and 140 contract owner operators. In addition, Gardewine owned $38.4 million of real property and facilities that were transferred to MT subsequent to their acquisition. Mullen Group acquired Gardewine as part of its strategy to invest in the transportation sector in Canada. The financial results from Gardewine's operations are included in the Trucking/Logistics segment.

Courtesy Freight Systems Ltd. – On October 1, 2015, Mullen Group acquired all of the issued and outstanding shares of Courtesy. The total cash consideration was $11.8 million, including real property. Mullen Group recorded $10.8 million of cash used to acquire Courtesy on its consolidated statement of cash flows, which consists of $11.8 million of total cash consideration net of $1.0 million of cash acquired. Concurrent to the closing of this transaction, Mullen Group entered into an agreement to acquire the majority of the facilities being used in the operations of Courtesy, subject to satisfactory environmental reports. In December 2015, Mullen Group acquired three of these facilities for $1.0 million. Courtesy is headquartered in Thunder Bay, Ontario and provides regional scheduled LTL services primarily in northwestern Ontario and southern Manitoba. Mullen Group acquired Courtesy as part of its strategy to invest in the transportation sector in these regions. The financial results from Courtesy's operations are included in the Trucking/Logistics segment.

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

Equity Investments – During 2015 Mullen Group invested $10.9 million (including $4.3 million of debentures) to acquire a minority equity interest in three companies; Envolve Energy Services Corp. ("**Envolve**"), a waste disposal company operating in the Grande Prairie, Alberta region; Cordova Oilfield Services Ltd. ("**Cordova**"), a general oilfield hauling company specializing in the storage, handling and transportation of pipe located in Fort St. John, British Columbia; and Butler Ridge Energy Services (2011) Ltd. ("**Butler Ridge**"), a fracturing fluid containment, logistics and storage management company based in Hudson's Hope, British Columbia. These investments are part of our strategy to invest alongside high quality entrepreneurs in companies that have growth potential.

Capital Expenditures

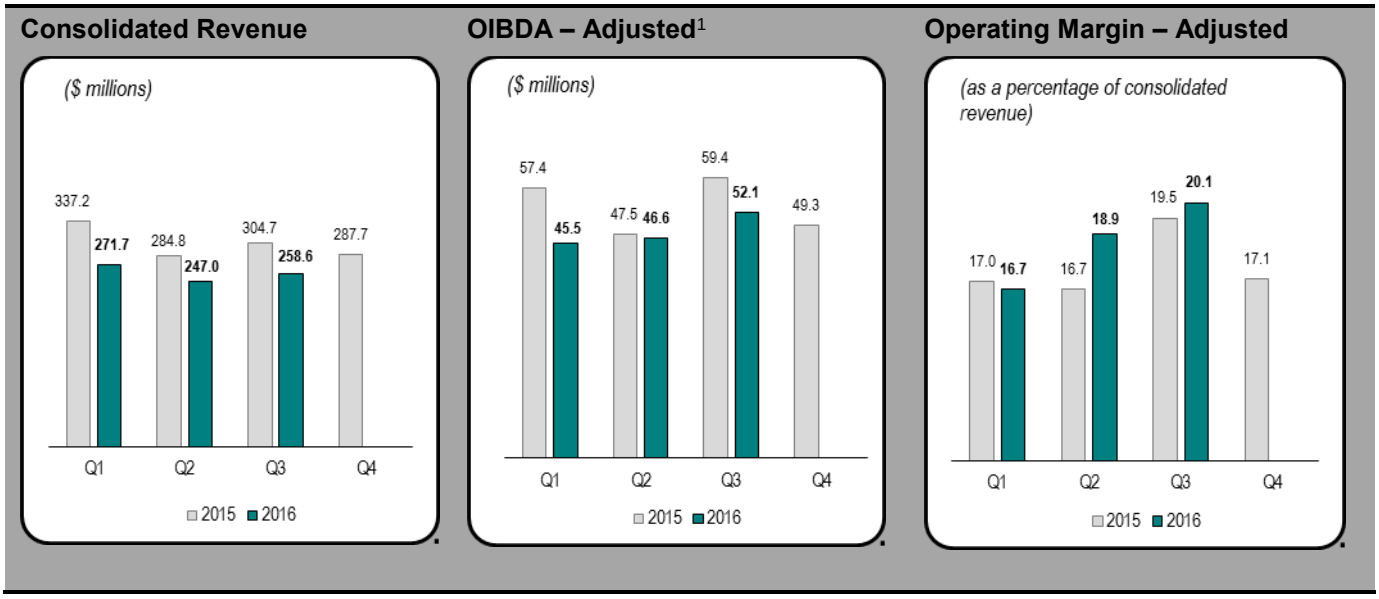
On December 16, 2015, Mullen Group's Board approved a $25.0 million net capital expenditure[1] budget for 2016, with the majority allocated towards purchasing trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment. The capital required for acquisitions and other special projects is not included in this $25.0 million budget and will be considered by the Board throughout the year as the need arises.

In the first nine months of 2016, gross capital expenditures were $16.2 million as compared to $63.3 million in 2015. These capital expenditures were comprised of $14.2 million in the Trucking/Logistics segment (2015 – $22.9 million), $1.8 million in the Oilfield Services segment (2015 – $11.7 million) and $0.5 million in the Corporate Office (2015 – $28.7 million). Gross dispositions on a consolidated basis were $4.2 million in the first nine months of 2016 as compared to $5.1 million in 2015 for net capital expenditures[1] of $12.0 million. These gross dispositions were comprised of $2.0 million in the Trucking/Logistics segment (2015 – $1.6 million) and $2.5 million in the Oilfield Services segment (2015 – $3.6 million).

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

CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016

Summary – Trailing Seven Quarters



Consolidated third quarter financial results were below the prior year levels due to the under performance of the Oilfield Services segment, which continued to experience very challenging market conditions, including limited demand for services, intense competition and pricing pressure across all Business Units in the segment. Our Trucking/Logistics segment experienced a decline in revenue reflecting the current challenges faced by the general economy and the Alberta economy in particular.

Revenue

*Revenue is generated by the Corporation through its Business Units. These Business Units are divided into two operating segments, namely Trucking/Logistics and Oilfield Services. The Business Units utilize a combination of company assets that are either owned by the Business Unit or leased under long-term operating leases ("**Company Equipment**"), owner operators who provide trucks and/or trailers and work exclusively for the Business Unit under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "**Contractors**").*

Q3 Consolidated Revenue by Segment *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**173.3**	**66.6**	183.1	60.0	(9.8)	(5.4)
Oilfield Services	**86.8**	**33.4**	122.0	40.0	(35.2)	(28.9)
Corporate and intersegment eliminations	**(1.5)**	**—**	(0.4)	—	(1.1)	—
Total	**258.6**	**100.0**	304.7	100.0	(46.1)	(15.1)

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the third quarter decreased by $46.1 million, or 15.1 percent, to $258.6 million as compared to $304.7 million in 2015. This decrease in revenue was directly attributable to the Oilfield Services segment, which decreased by $35.2 million, or 28.9 percent, to $86.8 million as compared to $122.0 million in the same period one year earlier. The decrease in segment revenue was due to significantly lower demand for its services as a result of lower drilling activity in the western Canadian sedimentary basin ("**WCSB**"). Revenue in the Trucking/Logistics

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

segment decreased by $9.8 million, or 5.4 percent, to $173.3 million from $183.1 million primarily due to a lack of growth in the overall economy and the continued recession in Alberta resulting in lower revenue generated by most Business Units within the segment as well as the reduction in fuel surcharge revenue.

Q3 Consolidated Revenue *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**185.6**	**71.8**	210.2	69.0	(24.6)	(11.7)
Contractors	**71.0**	**27.5**	93.4	30.7	(22.4)	(24.0)
Other	**2.0**	**0.7**	1.1	0.3	0.9	81.8
Total	**258.6**	**100.0**	304.7	100.0	(46.1)	(15.1)

Revenue related to Company Equipment decreased by $24.6 million, or 11.7 percent, to $185.6 million as compared to $210.2 million in 2015 and represented 71.8 percent of consolidated revenue in the current period as compared to 69.0 percent in 2015. Revenue related to Contractors decreased by $22.4 million, or 24.0 percent, to $71.0 million as compared to $93.4 million in 2015 and represented 27.5 percent of consolidated revenue in the current period as compared to 30.7 percent in 2015.

Direct Operating Expenses

*Direct Operating Expenses ("**DOE**") include two main categories of expenses. The first category of DOE relates to the direct costs incurred to operate and maintain Company Equipment. The major DOE associated with operating Company Equipment are wages, fuel, repairs and maintenance and operating supplies. The other expenses included under DOE – Company mainly consist of operating leases, equipment rent, insurance, licensing costs and third party costs incurred to generate Company revenue. The second category of DOE are the costs incurred to hire Contractors, whether owner operators or subcontractors.*

Q3 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**47.5**	**25.6**	55.9	26.6	(8.4)	(15.0)
Fuel	**15.2**	**8.2**	15.9	7.6	(0.7)	(4.4)
Repairs and maintenance	**24.8**	**13.4**	28.9	13.7	(4.1)	(14.2)
Operating supplies	**9.8**	**5.3**	12.2	5.8	(2.4)	(19.7)
Other	**22.7**	**12.2**	24.7	11.8	(2.0)	(8.1)
	120.0	**64.7**	137.6	65.5	(17.6)	(12.8)
Contractors	**53.7**	**75.6**	69.1	74.0	(15.4)	(22.3)
Total	**173.7**	**67.2**	206.7	67.8	(33.0)	(16.0)

**as a percentage of respective Consolidated revenue*

DOE were $173.7 million in the third quarter as compared to $206.7 million in 2015. The decrease of $33.0 million, or 16.0 percent, was directly related to the $46.1 million decrease in consolidated revenue. As a percentage of revenue these expenses decreased by 0.6 percent to 67.2 percent as compared to 67.8 percent in 2015.

DOE associated with Company Equipment decreased to $120.0 million as compared to $137.6 million in 2015. The decrease of $17.6 million, or 12.8 percent, was generally in line with the change in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 0.8 percent to 64.7 percent as compared to 65.5 percent in 2015 due to various cost cutting measures in both segments.

Contractors expense in the third quarter decreased to $53.7 million, as compared to $69.1 million in 2015. This $15.4 million decrease was attributed to declines in both segments. As a percentage of Contractors revenue, Contractors expense increased by 1.6 percent to 75.6 percent as compared to 74.0 percent in 2015 primarily due to the increases experienced by the Trucking/Logistics segment.

Selling and Administrative Expenses

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

Q3 Consolidated Selling and Administrative Expenses *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**19.7**	**7.6**	22.8	7.5	(3.1)	(13.6)
Communications, utilities and general supplies	**8.0**	**3.1**	9.4	3.1	(1.4)	(14.9)
Profit share	**3.0**	**1.2**	3.8	1.2	(0.8)	(21.1)
Foreign exchange	**(1.7)**	**(0.7)**	(6.8)	(2.2)	5.1	(75.0)
Stock-based compensation	**0.2**	**0.1**	0.4	0.1	(0.2)	(50.0)
Rent and other	**2.1**	**0.8**	2.9	1.0	(0.8)	(27.6)
Total	**31.3**	**12.1**	32.5	10.7	(1.2)	(3.7)

**as a percentage of total Consolidated revenue*

S&A expenses decreased by $1.2 million to $31.3 million in the third quarter as compared to $32.5 million in 2015. This was mainly attributable to continued cost cutting initiatives, most notably a $3.1 million reduction in wages and benefits expense and a $0.8 million reduction in profit share expense. These reductions were partially offset by a $5.1 million negative variance in foreign exchange. S&A expenses as a percentage of consolidated revenue increased by 1.4 percent to 12.1 percent in comparison to 10.7 percent in 2015. Excluding foreign exchange effects within the Corporate Office, S&A expenses were $32.8 million, or 12.7 percent of revenue, as compared to $38.6 million, or 12.7 percent of revenue, in 2015.

Operating Income Before Depreciation and Amortization

*Operating income before depreciation and amortization ("**OIBDA**")[1] is net income before depreciation of property, plant and equipment, amortization of intangible assets, finance costs, net unrealized foreign exchange gains and losses, other (income) expense and income taxes.*

Q3 Consolidated Operating Income Before Depreciation and Amortization[(1)] *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**31.5**	**58.8**	33.7	51.5	(2.2)	(6.5)
Oilfield Services	**21.0**	**39.2**	27.6	42.1	(6.6)	(23.9)
Corporate	**1.1**	**2.0**	4.2	6.4	(3.1)	(73.8)
Total	**53.6**	**100.0**	65.5	100.0	(11.9)	(18.2)

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

OIBDA – adjusted[1] decreased by $7.3 million, or 12.3 percent, to $52.1 million as compared to $59.4 million in 2015. OIBDA – adjusted[1] as a percentage of consolidated revenue improved to 20.1 percent as compared to 19.5 percent in 2015 due to the increase in margin experienced by the Oilfield Services segment.

Including the foreign exchange gains or losses, OIBDA[1] decreased by $11.9 million to $53.6 million, or 18.2 percent, as compared to $65.5 million in 2015. The decrease was due to the combination of a $6.6 million decrease in the Oilfield Services segment, a $2.2 million decrease in the Trucking/Logistics segment as well as a $3.1 million increase in Corporate Office costs largely as a result of a $4.6 million negative variance in foreign exchange recognized within the Corporate Office. As a percentage of consolidated revenue, OIBDA[1] decreased to 20.7 percent as compared to 21.5 percent in 2015 primarily due to the negative variance in foreign exchange recognized within the Corporate Office.

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

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $17.6 million in the third quarter as compared to $19.3 million in 2015. This decrease of $1.7 million was mainly attributable to a lower amount of depreciation being recorded in the Oilfield Services segment, while depreciation in the Trucking/Logistics segment and the Corporate Office remained consistent on a year over year basis. Depreciation in the Oilfield Services segment decreased by $1.6 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Trucking/Logistics segment remained consistent on a year over year basis due to a lower amount of capital expenditures made within this segment being offset by the additional depreciation expense resulting from the acquisition of Courtesy.

Amortization of Intangible Assets

Intangible assets are acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over their estimated life from the date of acquisition. Amortization of intangible assets was $2.5 million in the third quarter as compared to $4.7 million in 2015. This decrease mainly resulted from the intangible assets acquired on the Producers Oilfield Services Inc. ("**Producers**") acquisition becoming fully amortized at the end of June 2016. To a lesser extent, the decrease also resulted from the intangible assets acquired on the acquisition of the Hi-Way 9 Group of Companies ("**Hi-Way 9**") becoming fully amortized in the second quarter of 2016. These decreases were somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisition of Courtesy.

Finance Costs

Finance costs mainly consist of:

- interest expense on financial liabilities, including:
  - $70.0 million of Series D Notes, U.S. $85.0 million of Series E Notes, $20.0 million of Series F Notes, U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, $30.0 million of Series I Notes, $3.0 million of Series J Notes, $58.0 million of Series K Notes and $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
  - the convertible unsecured subordinated debentures (the "**Debentures**") that were issued on May 1, 2009;
  - various financing loans that are secured by specific operating equipment (collectively, the "**Various Financing Loans**"); and
  - accretion expense on debt;
- less any interest income generated from cash and cash equivalents.

Finance costs were $7.6 million in the third quarter as compared to $9.3 million in 2015. The decrease of $1.7 million was mainly attributable to the March 30, 2016 repayment of the Series C Notes ($70.0 million bearing interest at 5.60 percent per annum). This decrease was also due to a greater amount of interest income being generated from cash and cash equivalents and from a lower amount of interest expense being recorded on the U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar in the third quarter of 2016 as compared to 2015.

Net Unrealized Foreign Exchange Loss

Mullen Group recognizes unrealized foreign exchange gains or losses at the end of each reporting period related to its U.S. dollar debt and from its two cross-currency swap contracts. In 2014 Mullen Group 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.

Net unrealized foreign exchange loss was $5.0 million in the third quarter of 2016 as compared to a loss of $10.2 million in 2015. The variance of $5.2 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net unrealized foreign exchange loss were as follows:

Net Unrealized Foreign Exchange Loss	**Three month periods ended September 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2016**	**2015**
Unrealized foreign exchange loss on U.S. debt	**6.3**	26.9
Unrealized foreign exchange (gain) on Cross-Currency Swaps	**(1.3)**	(16.7)
Net unrealized foreign exchange loss	**5.0**	10.2

Mullen Group recorded an unrealized foreign exchange loss of $6.3 million related to the Corporation's U.S. dollar denominated debt due to the $0.02 weakening of the Canadian dollar relative to the U.S. dollar during the third quarter of 2016. For the same period in 2015, Mullen Group recorded an unrealized foreign exchange loss of $26.9 million due to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the unrealized foreign exchange loss on U.S. debt is summarized in the table below:

Unrealized Foreign Exchange Loss on U.S. Debt	**Three month periods ended September 30**					
	2016			**2015**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – September 30	**314.0**	**1.3117**	**411.9**	314.0	1.3345	419.1
Beginning – June 30	**314.0**	**1.2917**	**405.6**	314.0	1.2490	392.2
Unrealized foreign exchange loss on U.S. debt			**6.3**			26.9

On July 25, 2014, Mullen Group entered into two Cross-Currency Swaps with a Canadian bank to swap U.S. $117.0 million and U.S. $112.0 million into Canadian currency at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. The Cross-Currency Swaps convert the repayment of the principal portion of the Series G and Series H Notes into a Canadian currency equivalent of $129.2 million and $124.9 million, respectively. Mullen Group records the unrealized foreign exchange gain or loss relating to these Cross-Currency Swaps within net unrealized foreign exchange loss (gain) on the consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose. The carrying value of these Cross-Currency Swaps are recorded within Derivatives in the consolidated statement of financial position.

For the three month period ended September 30, 2016, Mullen Group recorded an unrealized foreign exchange gain on Cross-Currency Swaps of $1.3 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:

Unrealized Foreign Exchange (Gain) on Cross-Currency Swaps	**Three month periods ended September 30**			
	2016		**2015**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**(0.8)**	**117.0**	(9.0)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**(0.5)**	**112.0**	(7.7)
Unrealized foreign exchange (gain) on Cross-Currency Swaps		**(1.3)**		(16.7)

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment and earnings from equity investments. Other income in the third quarter was $4.4 million, an $11.4 million positive variance as compared to the $7.0 million of other expense recorded in 2015. This variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $11.8 million). Mullen Group periodically invests in certain private and public corporations. Mullen Group recorded an increase in the fair value of investments of $4.4 million in the third quarter as compared to a $7.4 million decrease in 2015. This $11.8 million positive variance was mainly due to the change in the value of Mullen Group's investment in Logan International Inc. ("**Logan**"). Mullen Group owns 4,674,625 shares of Logan, a TSX listed company. Logan's share price increased by $0.96, or 171.4 percent, during the third quarter of 2016 resulting in a $4.5 million increase in the fair value of this investment as compared to a $4.2 million decrease during the same period in 2015. On August 28, 2016, Logan announced that it entered into an agreement to sell all of its outstanding common shares for $1.49 per share. It is anticipated that this transaction will be completed in the fourth quarter of 2016. Additional consideration may also be received by Logan's common shareholders pending the outcome of its efforts to sell certain subsidiaries. There were no investments purchased or sold in either the third quarter of 2016 or 2015.

Loss on Sale of Property, Plant and Equipment (variance of nil). Mullen Group recognized a loss of $0.3 million on sale of property, plant and equipment on total consolidated proceeds on sale of $1.2 million in the third quarter as compared to a $0.3 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.3 million in 2015.

Earnings from Equity Investments (negative variance of $0.4 million). Mullen Group recognized $0.3 million of earnings from equity investments in the third quarter as compared to earnings of $0.7 million in 2015. Mullen Group uses the equity method to account for investments in which it obtains significant influence or joint control over the investee and recognizes earnings from these equity investments from the date thereof. There were no equity investments purchased or sold in the third quarter of 2016 as compared to $1.0 million of equity investments being purchased in 2015. The following table details Mullen Group's equity investments and the date from which it 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
Envolve Energy Services Corp.	April 10, 2015
Cordova Oilfield Services Ltd.	April 17, 2015
Butler Ridge Energy Services (2011) Ltd.	July 1, 2015

Income Taxes

(unaudited) *($ millions)*	Three month periods ended September 30	
	2016	**2015**
Income before income taxes	**$ 25.3**	$ 15.0
Combined statutory tax rate	**27%**	26%
Expected income tax	**6.8**	3.9
Add (deduct):		
Non-deductible portion of net unrealized foreign exchange loss	**0.7**	1.3
Non-deductible (taxable) portion of the change in fair value of investments	**(0.6)**	1.0
Increase in income tax due to changes in income tax rates	**—**	0.3
Stock-based compensation expense	**—**	0.1
Other	**0.8**	1.1
Income tax expense	**$ 7.7**	$ 7.7

Income tax expense was $7.7 million in both the third quarter of 2016 and 2015.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended September 30		
	2016	**2015**	**% Change**
Net income	**$ 17.6**	$ 7.3	141.1
Weighted average number of Common Shares outstanding	**103,654,316**	91,660,684	13.1
Earnings per share – basic	**$ 0.17**	$ 0.08	112.5

Net income increased to $17.6 million in the third quarter as compared to $7.3 million in 2015. The factors contributing to the increase in net income include:

- an $11.8 million positive variance in the fair value of investments;
- a $5.2 million positive variance in net unrealized foreign exchange;
- a $2.2 million decrease in amortization of intangible assets;
- a $1.7 million decrease in depreciation of property, plant and equipment; and
- a $1.7 million decrease in finance costs.

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

- an $11.9 million decrease in OIBDA[1]; and
- a $0.4 million decrease in earnings from equity investments.

Basic earnings per share increased to $0.17 in 2016 as compared to $0.08 in 2015. This increase resulted from the effect of the $10.3 million increase in net income being partially offset by an increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 91,660,684 to 103,654,316, which was mainly due to the issuance of Common Shares from the Offering and the Private Placement.

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

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 unrealized foreign exchange gains or losses and the change in fair value of investments. Net income and basic earnings per share have been adjusted to reflect earnings from a strictly operating perspective.

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended September 30**	
	2016	**2015**
Income before income taxes	**$ 25.3**	$ 15.0
Add (deduct):		
Net unrealized foreign exchange loss	**5.0**	10.2
Change in fair value of investments	**(4.4)**	7.4
Income before income taxes – adjusted	**25.9**	32.6
Income tax rate	**27%**	26%
Computed expected income tax expense	**7.0**	8.5
Net income – adjusted[1]	**18.9**	24.1
Weighted average number of Common Shares outstanding – basic	**103,654,316**	91,660,684
Earnings per share – adjusted[1]	**$ 0.18**	$ 0.26

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

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SEGMENTED INFORMATION – THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016

Three month period ended September 30, 2016 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**173.3**	**86.8**	**(1.5)**	**258.6**
Direct operating expenses	**121.6**	**55.2**	**(3.1)**	**173.7**
Selling and administrative expenses	**20.2**	**10.6**	**0.5**	**31.3**
Operating income before depreciation and amortization[1]	**31.5**	**21.0**	**1.1**	**53.6**

Three month period ended September 30, 2015 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	183.1	122.0	(0.4)	304.7
Direct operating expenses	128.4	79.2	(0.9)	206.7
Selling and administrative expenses	21.0	15.2	(3.7)	32.5
Operating income before depreciation and amortization[1]	33.7	27.6	4.2	65.5

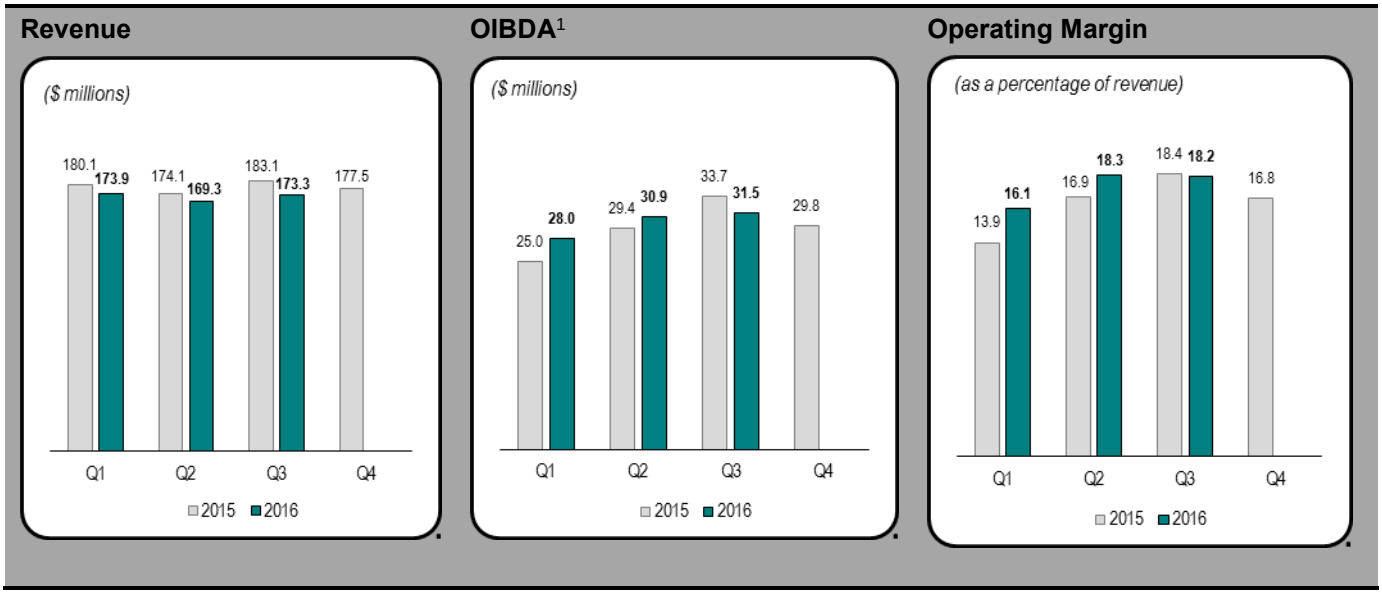
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

TRUCKING/LOGISTICS SEGMENT

The transportation and distribution of freight is a multi-billion dollar business in Canada and is generally described as both highly competitive and fragmented. The Trucking/Logistics segment provides a wide range of trucking and logistics services in Canada, as well as to and from the continental U.S. At September 30, 2016, the Trucking/Logistics segment was comprised of 12 Business Units that utilize both Company Equipment and Contractors.

Service Offerings	*Key Drivers and Considerations*
• *Long-Haul Trucking (T/L)*	• *Tied to general economy (i.e., GDP)*
• *Less-Than-Truckload Trucking (LTL)*	• *North American network*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk Hauling*	• *Industry capacity is shrinking*

Summary – Trailing Seven Quarters



General economic activity is the main driver of demand levels for our Trucking/Logistics segment. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services. Early estimates indicate that Canada's real gross domestic product increased by 0.5 percent in July after experiencing contraction of 1.6 percent in the second quarter. There continues to be a substantive decline in energy related and resource sector investment affecting economic growth in western Canada. The economy in the rest of Canada appears to be expanding, albeit at a very slow pace. It is further estimated that the U.S. economy expanded by 2.2 percent in the third quarter, after expanding by 1.4 percent in the second quarter.

Revenue

Q3 Revenue – Trucking/Logistics *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**122.1**	**70.5**	122.1	66.7	—	—
Contractors	**50.9**	**29.4**	60.9	33.3	(10.0)	(16.4)
Other	**0.3**	**0.1**	0.1	—	0.2	200.0
Total	**173.3**	**100.0**	183.1	100.0	(9.8)	(5.4)

The Trucking/Logistics segment generated 66.6 percent of pre-consolidated revenue for the third quarter as compared to 60.0 percent in 2015. Revenue in this segment decreased by $9.8 million, or 5.4 percent, to $173.3 million as compared to $183.1 million in 2015 primarily due to a decrease in demand for freight services in western Canada and lower fuel surcharge revenue. Fuel surcharge revenue declined by $1.7 million to $11.9 million as compared to $13.6 million in 2015. These decreases were somewhat offset by increased revenue generated by Smook Contractors and Mullen Trucking as well as incremental revenue related to the acquisitions of Courtesy and Motrux.

Revenue related to Company Equipment remained constant at $122.1 million and represented 70.5 percent of segment revenue in the current quarter as compared to 66.7 percent in 2015. Revenue related to Contractors decreased by $10.0 million, or 16.4 percent, to $50.9 million as compared to $60.9 million in 2015 and 29.4 percent of segment revenue in the current period as compared to 33.3 percent in 2015.

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

Direct Operating Expenses

Q3 Direct Operating Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**32.7**	**26.8**	32.8	26.9	(0.1)	(0.3)
Fuel	**11.1**	**9.1**	10.7	8.8	0.4	3.7
Repairs and maintenance	**15.0**	**12.3**	15.2	12.4	(0.2)	(1.3)
Operating supplies	**3.8**	**3.1**	4.0	3.3	(0.2)	(5.0)
Other	**20.4**	**16.7**	21.2	17.3	(0.8)	(3.8)
	83.0	**68.0**	83.9	68.7	(0.9)	(1.1)
Contractors	**38.6**	**75.8**	44.5	73.1	(5.9)	(13.3)
Total	**121.6**	**70.2**	128.4	70.1	(6.8)	(5.3)

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

DOE were $121.6 million in the third quarter as compared to $128.4 million in 2015. The decrease of $6.8 million, or 5.3 percent, was directly related to the 5.4 percent decrease in segment revenue. Overall as a percentage of revenue these expenses increased by 0.1 percent to 70.2 percent as compared to 70.1 percent in 2015 due to a larger portion of revenue being generated by Company assets being offset by the increase in Contractors expense as a percentage of revenue.

DOE related to Company Equipment decreased by $0.9 million, or 1.1 percent, to $83.0 million as compared to $83.9 million in 2015. In terms of a percentage of revenue, Company expenses decreased by 0.7 percent to 68.0 percent as compared to 68.7 percent in 2015. This 0.7 percent decrease as a percentage of Company revenue was primarily due to the reduction in Other expenses as a result of a reduction in purchased transportation expense in our LTL operations.

Contractors expense in the third quarter decreased by $5.9 million to $38.6 million as compared to $44.5 million in 2015. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 75.8 percent as compared to 73.1 percent in 2015 due to the diminished availability of subcontractors in certain markets.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Wages and benefits	**12.7**	**7.3**	13.2	7.2	(0.5)	(3.8)
Communications, utilities and general supplies	**4.6**	**2.7**	5.1	2.8	(0.5)	(9.8)
Profit share	**2.0**	**1.2**	2.5	1.4	(0.5)	(20.0)
Foreign exchange	**(0.2)**	**(0.1)**	(0.7)	(0.4)	0.5	(71.4)
Rent and other	**1.1**	**0.6**	0.9	0.5	0.2	22.2
Total	**20.2**	**11.7**	21.0	11.5	(0.8)	(3.8)

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

S&A expenses were $20.2 million in the third quarter as compared to $21.0 million in 2015. The decrease of $0.8 million was primarily due to successful cost cutting initiatives in most areas, most notably wages and benefits being somewhat offset by the $0.5 million negative variance on foreign exchange. S&A expenses as a percentage of segment revenue increased slightly to 11.7 percent as compared to 11.5 percent in 2015.

Operating Income Before Depreciation and Amortization

OIBDA[1] for the third quarter decreased by $2.2 million to $31.5 million, or 6.5 percent, as compared to $33.7 million generated in the same period last year. As a percentage of segment revenue, OIBDA[1] decreased to 18.2 percent as compared to 18.4 percent in 2015. This 0.2 percent decrease in operating margin was primarily due to the lower DOE.

Capital Expenditures

Net capital expenditures[1] were $3.0 million in the third quarter, a decrease of $5.3 million as compared to $8.3 million in 2015. The Trucking/Logistics segment had gross capital expenditures of $3.6 million and dispositions of $0.6 million for net capital expenditures[1] of $3.0 million in 2016. Gross capital expenditures mainly consisted of the purchase of trucks and trailers, as well as various pieces of operating equipment in our LTL operations. In 2015 gross capital expenditures were $8.8 million and dispositions were $0.5 million for net capital expenditures[1] of $8.3 million.

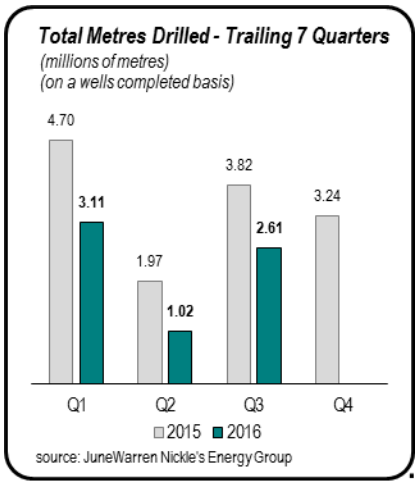
OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At September 30, 2016, the Oilfield Services segment was comprised of 15 Business Units, that utilize both Company Equipment and Contractors.

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

Industry Statistics

Mullen Group considers the number of active rigs operating, total wells drilled, length of metres drilled within such wells and the number of operating days, to be useful measures to gauge the strength of industry activity. Recent efforts to enhance drilling efficiency, combined with a movement to longer and deeper multi-stage horizontal wells have changed the correlation of certain drilling statistics. Generally speaking, the rig count and average days to drill a well have decreased while the total metres drilled have increased. Although the reduction in rig count has negatively impacted Mullen Group's rig moving business, the increase in metres drilled per well has continued to support demand for drill pipe, mud and fluid transportation services, areas in which Mullen Group has strong market positions. In addition, a portion of Mullen Group's operations are related to the continued development and extraction of oil sands deposits in western Canada.



Although commodity prices rebounded somewhat from the thirteen year lows experienced in the first quarter, prices remained volatile and drilling economics continued to be challenging. In addition, unseasonably wet weather negatively affected drilling activity in northwestern Alberta and northeastern British Columbia. As a result, industry investment and activity in the third quarter remained muted.

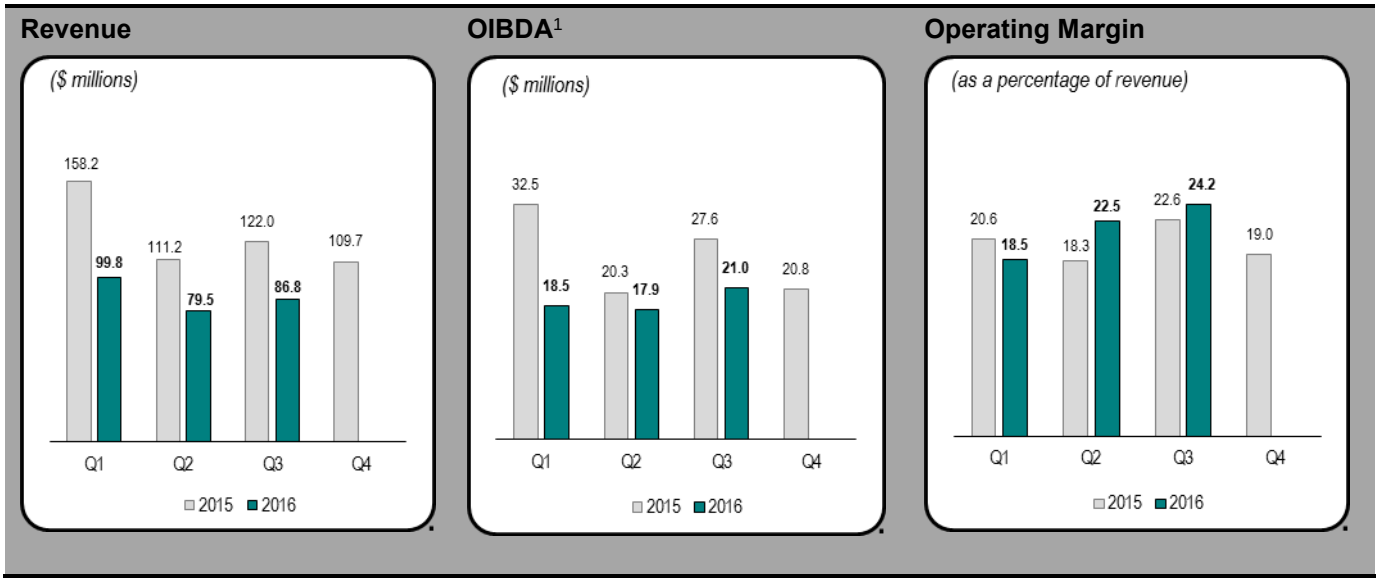
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

Drilling industry statistics indicate that the average rig count in the WCSB was 121 rigs during the quarter as compared to 183 active rigs in 2015, a decrease of 62 rigs or 33.9 percent. Total wells drilled decreased by 24.7 percent to 1,158 wells drilled as compared to 1,537 wells drilled in 2015. The length of metres drilled within such wells decreased by 31.7 percent to 2.61 million metres as compared to 3.82 million metres in 2015.

	Three month periods ended September 30			
	2016	**2015**	**# Change**	**% Change**
British Columbia	**69**	124	(55)	(44.4)
Alberta	**524**	828	(304)	(36.7)
Saskatchewan	**548**	507	41	8.1
Manitoba	**17**	78	(61)	(78.2)
Northwest Territories	**—**	—	—	—
Total	**1,158**	1,537	(379)	(24.7)

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

Summary – Trailing Seven Quarters



Revenue

Q3 Revenue – Oilfield Services *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**63.5**	**73.2**	88.1	72.2	(24.6)	(27.9)
Contractors	**22.7**	**26.2**	33.4	27.4	(10.7)	(32.0)
Other	**0.6**	**0.6**	0.5	0.4	0.1	20.0
Total	**86.8**	**100.0**	122.0	100.0	(35.2)	(28.9)

The Oilfield Services segment generated 33.4 percent of pre-consolidated revenue for the third quarter as compared to 40.0 percent in 2015. Revenue decreased by $35.2 million, or 28.9 percent, to $86.8 million as compared to $122.0 million in 2015. The decrease in segment revenue was due to revenue declines in every Business Unit within this segment with the exception of Premay Equipment L.P. as lower commodity prices continued to negatively

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

impact current and expected industry cash flows that resulted in significantly reduced capital investment and drilling activity in western Canada. Specifically, the decrease in segment revenue was due to the net effect of the following:

- a $17.9 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells;
- a $9.1 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- an $8.2 million decrease in revenue generated by those Business Units providing specialized services due to a decrease in demand for large diameter pipeline construction projects and water management services being partially offset by an increase in demand for services associated with heavy haul freight services within Alberta's oil sands; and
- no change in revenue generated by those Business Units providing drilling services despite a significant decline in industry activity.

Revenue related to Company Equipment decreased by $24.6 million, or 27.9 percent, to $63.5 million as compared to $88.1 million in 2015 and represented 73.2 percent of segment revenue in the current period as compared to 72.2 percent in 2015. Revenue related to Contractors decreased by $10.7 million, or 32.0 percent, to $22.7 million as compared to $33.4 million in 2015 and represented 26.2 percent of segment revenue in the current period as compared to 27.4 percent in 2015.

Direct Operating Expenses

Q3 Direct Operating Expenses – Oilfield Services						
(unaudited)						
($ millions)	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**14.8**	**23.3**	23.1	26.2	(8.3)	(35.9)
Fuel	**4.1**	**6.5**	5.2	5.9	(1.1)	(21.2)
Repairs and maintenance	**9.9**	**15.6**	13.7	15.6	(3.8)	(27.7)
Operating supplies	**6.0**	**9.4**	8.2	9.3	(2.2)	(26.8)
Other	**2.7**	**4.3**	3.5	4.0	(0.8)	(22.9)
	37.5	**59.1**	53.7	61.0	(16.2)	(30.2)
Contractors	**17.7**	**78.0**	25.5	76.3	(7.8)	(30.6)
Total	**55.2**	**63.6**	79.2	64.9	(24.0)	(30.3)

**as a percentage of respective Oilfield Services revenue*

DOE were $55.2 million in the third quarter as compared to $79.2 million in 2015. The decrease of $24.0 million, or 30.3 percent, was directly related to the $35.2 million, or 28.9 percent decrease in segment revenue during the quarter. As a percentage of revenue these expenses decreased by 1.3 percent to 63.6 percent as compared to 64.9 percent in 2015.

DOE associated with Company Equipment in the third quarter decreased to $37.5 million as compared to $53.7 million in 2015. This decrease was generally in line with the decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 1.9 percent to 59.1 percent as compared to 61.0 percent in 2015 due to cost cutting measures in all areas being partially offset by an increase in fuel expense as a percentage of revenue.

Contractors expense in the third quarter decreased by $7.8 million to $17.7 million as compared to $25.5 million in 2015. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 78.0 percent as compared to 76.3 percent in 2015 due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Oilfield Services *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Wages and benefits	**6.0**	**6.9**	8.6	7.0	(2.6)	(30.2)
Communications, utilities and general supplies	**2.9**	**3.3**	3.7	3.0	(0.8)	(21.6)
Profit share	**1.0**	**1.2**	1.3	1.1	(0.3)	(23.1)
Rent and other	**0.7**	**0.8**	1.6	1.4	(0.9)	(56.2)
Total	**10.6**	**12.2**	15.2	12.5	(4.6)	(30.3)

**as a percentage of total Oilfield Services revenue*

S&A expenses were $10.6 million in the third quarter as compared to $15.2 million in 2015. This $4.6 million decrease was mainly attributable to the $2.6 million decline in wages and benefits expense as well as other cost cutting initiatives. As a result of these cost cutting initiatives, S&A expenses as a percentage of segment revenue decreased by 0.3 percent to 12.2 percent in comparison to 12.5 percent in 2015.

Operating Income Before Depreciation and Amortization

OIBDA[1] in the third quarter decreased 23.9 percent to $21.0 million. The $6.6 million year over year decrease can be attributed to the decline in revenue. Specifically, OIBDA[1] decreased due to the net effect of the following:

- a $3.0 million decrease in those Business Units involved in the transportation of fluids and servicing of wells;
- a $2.6 million decrease in those Business Units tied to drilling related activity;
- a $1.4 million decrease relating to those Business Units leveraged to the oil sands and pipeline construction projects; and
- a $0.4 million increase relating to those Business Units involved in drilling services including core drilling.

OIBDA[1] represented as a percentage of segment revenue increased to 24.2 percent in the third quarter from 22.6 percent in 2015, primarily due to the 1.3 percent decrease in DOE as a percentage of revenue.

Capital Expenditures

Net capital expenditures[1] were $0.2 million in the third quarter of 2016, a decrease of $1.2 million as compared to $1.4 million in 2015. The Oilfield Services segment had gross capital expenditures of $0.9 million and dispositions of $0.7 million for net capital expenditures[1] of $0.2 million in 2016. Gross capital expenditures mainly consisted of the purchase of various pieces of operating equipment for Canadian Dewatering. The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2015 gross capital expenditures were $2.3 million and dispositions were $0.9 million for net capital expenditures[1] of $1.4 million.

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

CORPORATE

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

The Corporate Office recorded a profit of $1.1 million in the third quarter as compared to a profit of $4.2 million in 2015. The $3.1 million decrease in profit was mainly attributable to a $4.6 million negative variance in foreign exchange. In the third quarter of 2016, the Corporate Office recorded a foreign exchange gain of $1.5 million as compared to a foreign exchange gain of $6.1 million in 2015. The $1.5 million foreign exchange gain in 2016 was due to the Corporate Office holding an average of approximately U.S. $77.0 million of cash combined with a $0.02 strengthening of the U.S. dollar relative to the Canadian dollar. The $4.6 million negative variance in foreign exchange was somewhat offset by lower insurance costs and a greater amount of income being generated by some equity investments and real estate holdings.

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CONSOLIDATED FINANCIAL RESULTS – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016

Revenue

Consolidated Revenue by Segment **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**516.5**	**66.0**	537.3	57.9	(20.8)	(3.9)
Oilfield Services	**266.1**	**34.0**	391.4	42.1	(125.3)	(32.0)
Corporate and intersegment eliminations	**(5.3)**	**—**	(2.0)	—	(3.3)	—
Total	**777.3**	**100.0**	926.7	100.0	(149.4)	(16.1)

**as a percentage of pre-consolidated revenue*

Mullen Group's consolidated revenue in 2016 decreased by $149.4 million, or 16.1 percent, to $777.3 million as compared to $926.7 million in 2015. This decrease in revenue was primarily due to a significant decline in revenue generated by the Oilfield Services segment accompanied by a modest reduction in revenue generated by the Trucking/Logistics segment. Revenue decreased by $65.5 million, $37.8 million and $46.1 million in the first, second and third quarters, respectively.

Revenue in the Oilfield Services segment decreased by $125.3 million, or 32.0 percent, to $266.1 million as compared to $391.4 million in the same period one year earlier. This decrease was due to significant reductions in drilling activity and investments into capital projects and intense competition. Revenue in the Trucking/Logistics segment decreased by $20.8 million, or 3.9 percent, to $516.5 million as compared to $537.3 million in 2015. This $20.8 million decrease was largely due to lower demand for freight services in western Canada as well as an $8.9 million reduction in fuel surcharge revenue.

Consolidated Revenue **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**552.4**	**71.1**	620.0	66.9	(67.6)	(10.9)
Contractors	**220.8**	**28.4**	302.8	32.7	(82.0)	(27.1)
Other	**4.1**	**0.5**	3.9	0.4	0.2	5.1
Total	**777.3**	**100.0**	926.7	100.0	(149.4)	(16.1)

Revenue related to Company Equipment decreased by $67.6 million, or 10.9 percent, to $552.4 million as compared to $620.0 million in 2015. Revenue related to Company Equipment represented 71.1 percent of consolidated revenue in the current period as compared to 66.9 percent in 2015. Revenue related to Contractors decreased by $82.0 million, or 27.1 percent, to $220.8 million as compared to $302.8 million in 2015, and represented 28.4 percent of consolidated revenue in the current period as compared to 32.7 percent in 2015.

Direct Operating Expenses

Consolidated Direct Operating Expenses **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**144.8**	**26.2**	168.6	27.2	(23.8)	(14.1)
Fuel	**44.1**	**8.0**	53.5	8.6	(9.4)	(17.6)
Repairs and maintenance	**72.5**	**13.1**	86.3	13.9	(13.8)	(16.0)
Operating supplies	**33.9**	**6.1**	39.4	6.4	(5.5)	(14.0)
Other	**68.2**	**12.4**	69.4	11.2	(1.2)	(1.7)
	363.5	**65.8**	417.2	67.3	(53.7)	(12.9)
Contractors	**163.1**	**73.9**	226.5	74.8	(63.4)	(28.0)
Total	**526.6**	**67.7**	643.7	69.5	(117.1)	(18.2)

**as a percentage of respective Consolidated revenue*

DOE in 2016 were $526.6 million as compared to $643.7 million in 2015. The decrease of $117.1 million, or 18.2 percent, was directly related to the $149.4 million decrease in consolidated revenue. As a percentage of revenue these expenses decreased by 1.8 percent to 67.7 percent as compared to 69.5 percent in 2015 due to a larger portion of revenue being generated by Company assets and the decline in Contractors expense as a percentage of revenue.

In 2016 DOE associated with Company Equipment decreased to $363.5 million as compared to $417.2 million in 2015. The decrease of $53.7 million, or 12.9 percent, was due to the $53.9 million decrease in DOE within the Oilfield Services segment. As a percentage of Company revenue these expenses decreased to 65.8 percent as compared to 67.3 percent in 2015. Company expenses as a percentage of Company revenue decreased by 1.5 percent primarily due to cost management initiatives and lower fuel expense in both segments.

Contractors expense in 2016 decreased by $63.4 million to $163.1 million, as compared to $226.5 million in 2015 due to the $82.0 million decrease in Contractors revenue primarily as a result of reductions experienced by the Oilfield Services segment. As a percentage of Contractors revenue, Contractors expense decreased by 0.9 percent to 73.9 percent as compared to 74.8 percent in 2015 due to reductions experienced by the Trucking/Logistics segment.

Selling and Administrative Expenses

Consolidated Selling and Administrative Expenses **Nine month periods ended September 30** **(*unaudited*)** ***($ millions)***	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**61.8**	**8.0**	70.5	7.6	(8.7)	(12.3)
Communications, utilities and general supplies	**27.3**	**3.5**	30.5	3.3	(3.2)	(10.5)
Profit share	**9.6**	**1.2**	9.5	1.0	0.1	1.1
Foreign exchange	**6.0**	**0.8**	(13.9)	(1.5)	19.9	(143.2)
Stock-based compensation	**0.8**	**0.1**	1.1	0.1	(0.3)	(27.3)
Rent and other	**6.7**	**0.9**	8.6	1.0	(1.9)	(22.1)
Total	**112.2**	**14.5**	106.3	11.5	5.9	5.6

**as a percentage of total Consolidated revenue*

S&A expenses increased by $5.9 million to $112.2 million in 2016 as compared to $106.3 million in 2015 due to a $19.9 million negative variance in foreign exchange that was partially offset by cost cutting measures, most notably an $8.7 million reduction in wages and benefits expense. S&A expenses as a percentage of consolidated revenue increased by 3.0 percent to 14.5 percent in comparison to 11.5 percent in 2015. Excluding foreign exchange effects

within the Corporate Office, S&A expenses were $106.5 million, or 13.7 percent of revenue, as compared to $118.7 million, or 12.8 percent of revenue, in 2015 due to the reduction in expenses relative to the 16.1 percent reduction in consolidated revenue.

Operating Income Before Depreciation and Amortization

OIBDA – adjusted[1] decreased by $20.1 million, or 12.2 percent, to $144.2 million as compared to $164.3 million in 2015. OIBDA – adjusted[1] decreased by $11.9 million, $0.9 million and $7.3 million in the first, second and third quarters, respectively. OIBDA – adjusted[1] as a percentage of consolidated revenue increased to 18.6 percent as compared to 17.7 percent in 2015 due to the improvement in margin experienced by both segments.

Including the foreign exchange gains or losses, OIBDA[1] decreased to $138.5 million, or 21.6 percent, as compared to $176.7 million generated in 2015. The decrease of $38.2 million was primarily due to the Oilfield Services segment that experienced a $23.0 million decrease in OIBDA[1] being somewhat offset by the Trucking/Logistics segment that experienced a $2.3 million increase in OIBDA[1]. Corporate costs increased by $17.5 million on a year over year basis primarily due to the $18.1 million negative variance in foreign exchange. As a percentage of revenue, OIBDA[1] decreased to 17.8 percent as compared to 19.0 percent in 2015 due to the negative foreign exchange variance being somewhat offset by the improvement in margin experienced by both segments.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $53.2 million in the first nine months of 2016 as compared to $55.7 million in 2015. This decrease of $2.5 million was attributable to a lower amount of depreciation being recorded in the Oilfield Services segment, which was somewhat offset by a greater amount of depreciation being recorded in the Trucking/Logistics segment. Depreciation in the Oilfield Services segment decreased by $2.8 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. These decreases were somewhat offset by a greater amount of depreciation recorded on core drilling rigs due to a change in estimate applied prospectively as of July 1, 2015, which was based upon the revised estimated useful life of such equipment. Depreciation in the Trucking/Logistics segment increased by $0.3 million, which was mainly due to a greater amount of capital expenditures made within this segment and the additional depreciation expense resulting from the acquisition of Courtesy. Depreciation in the Corporate Office remained consistent on a year over year basis.

Amortization of Intangible Assets

Amortization of intangible assets was $11.4 million in the first nine months of 2016 as compared to $14.2 million in 2015. This decrease mainly resulted from the intangible assets acquired on the Producers acquisition becoming fully amortized at the end of June 2016. To a lesser extent, the decrease also resulted from the intangible assets acquired on the acquisition of Hi-Way 9 becoming fully amortized in the second quarter of 2016. These decreases were somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisition of Courtesy.

Finance Costs

Finance costs were $24.7 million in the first nine months of 2016 as compared to $26.8 million in 2015. The decrease of $2.1 million was mainly attributable to the March 30, 2016, repayment of the Series C Notes ($70.0 million bearing interest at 5.60 percent per annum). Despite recording an additional $0.8 million of finance costs in the first quarter of 2016, Mullen Group reduced its overall finance costs by $0.2 million by repaying the Series C Notes early due to certain prepayment credits received from the noteholders. To a lesser extent, the decrease in finance costs was also due to a lower amount of interest expense being recorded on the U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar in the first nine months of 2016 as compared to 2015.

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

Net Unrealized Foreign Exchange (Gain) Loss

Net unrealized foreign exchange gain was $17.2 million in the first nine months of 2016 as compared to a loss of $29.1 million in 2015. The components of net unrealized foreign exchange (gain) loss were as follows:

Net Unrealized Foreign Exchange (Gain) Loss	**Nine month periods ended September 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2016**	**2015**
Unrealized foreign exchange (gain) loss on U.S. debt	**(22.7)**	54.8
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps	**5.5**	(25.7)
Net unrealized foreign exchange (gain) loss	**(17.2)**	29.1

Mullen Group recorded an unrealized foreign exchange gain of $22.7 million related to the Corporation's U.S. dollar denominated debt due to the $0.07 strengthening of the Canadian dollar relative to the U.S. dollar in the first nine months of 2016. For the same period in 2015 Mullen Group recorded an unrealized foreign exchange loss of $54.8 million due to the change in value of the Canadian dollar relative to the U.S. dollar. The details of the unrealized foreign exchange (gain) loss on U.S. debt is summarized in the table below:

Unrealized Foreign Exchange (Gain) Loss on U.S. Debt	**Nine month periods ended September 30**					
	2016			**2015**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – September 30	**314.0**	**1.3117**	**411.9**	314.0	1.3345	419.1
Beginning – January 1	**314.0**	**1.3840**	**434.6**	314.0	1.1601	364.3
Unrealized foreign exchange (gain) loss on U.S. debt			**(22.7)**			54.8

Mullen Group recorded an unrealized foreign exchange loss on Cross-Currency Swaps of $5.5 million in the first nine months of 2016 as compared to a $25.7 million gain in 2015. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Unrealized Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Nine month periods ended September 30**			
	2016		**2015**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**3.2**	117.0	(14.0)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**2.3**	112.0	(11.7)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		**5.5**		(25.7)

Other (Income) Expense

Other income was $0.5 million for the first nine months of 2016 as compared to other expense of $14.5 million in 2015. The $15.0 million positive variance was due to the factors set forth below:

Change in fair value of investments (positive variance of $16.0 million). Mullen Group recorded an increase in the fair value of investments of $0.1 million in the first nine months of 2016 as compared to a $15.9 million decrease in 2015. The $15.9 million decrease recorded in 2015 was mainly due to the change in the value of Mullen Group's investment in Logan. There were no investments purchased or sold during the first nine months of 2016.

Loss on sale of property, plant and equipment (negative variance of $0.8 million). Mullen Group recognized a loss of $1.1 million on sale of property, plant and equipment on consolidated proceeds on sale of $4.2 million in the first nine months of 2016 as compared to a $0.3 million loss on consolidated proceeds on sale of $5.1 million in 2015. The $1.1 million loss on property, plant and equipment in 2016 mainly resulted from decommissioning a camp facility, which was relocated to Fort McMurray, Alberta to accommodate our employees impacted by the wildfires earlier in the year.

Earnings from Equity Investments (negative variance of $0.2 million). Mullen Group recognized $1.5 million of earnings from equity investments in the first nine months of 2016 as compared to $1.7 million in 2015. There were no equity investments purchased or sold in the first nine months of 2016 as compared to $6.6 million purchased in 2015.

Income Taxes

(unaudited) *($ millions)*	Nine month periods ended September 30	
	2016	**2015**
Income before income taxes	**$ 66.9**	$ 36.4
Combined statutory tax rate	**27%**	26%
Expected income tax	**18.1**	9.5
Add (deduct):		
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	**(2.3)**	3.8
Non-deductible (taxable) portion of the change in fair value of investments	**—**	2.1
Increase in income tax due to changes in income tax rates	**—**	5.8
Stock-based compensation expense	**0.2**	0.3
Other	**(1.8)**	3.9
Income tax expense	**$ 14.2**	$ 25.4

Income tax expense was $14.2 million in the first nine months of 2016 as compared to $25.4 million in 2015. The decrease of $11.2 million was mainly attributable to the variance in net unrealized foreign exchange, the change in the fair value of investments and from the effect of the Government of Alberta's decision to raise its corporate income tax rate by 2.0 percent effective July 1, 2015, which resulted in a $5.8 million increase in income tax expense in 2015.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Nine month periods ended September 30		
	2016	**2015**	**% Change**
Net income	**$ 52.7**	$ 11.0	379.1
Weighted average number of Common Shares outstanding	**97,657,691**	91,649,994	6.6
Earnings per share – basic	**$ 0.54**	$ 0.12	350.0

Net income increased to $52.7 million in the first nine months of 2016 as compared to $11.0 million in 2015. The factors contributing to the increase in net income include:

- a $46.3 million positive variance in net unrealized foreign exchange;
- a $16.0 million positive variance in the fair value of investments;
- an $11.2 million decrease in income tax expense;
- a $2.8 million decrease in amortization of intangible assets;

- a $2.5 million decrease in depreciation of property, plant and equipment; and
- a $2.1 million decrease in finance costs.

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

- a $38.2 million decrease in OIBDA[1];
- a $0.8 million increase in loss on sale of property, plant and equipment; and
- a $0.2 million decrease in earnings from equity investments.

Basic earnings per share increased to $0.54 in 2016 as compared to $0.12 in 2015. This increase resulted from the effect of the $41.7 million increase in net income being partially offset by an increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 91,649,994 to 97,657,691, which was mainly due to the issuance of Common Shares from the Offering and the Private Placement.

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited)	**Nine month periods ended September 30**	
($ millions, except share and per share amounts)	**2016**	**2015**
Income before income taxes	**$ 66.9**	$ 36.4
Add (deduct):		
Net unrealized foreign exchange (gain) loss	**(17.2)**	29.1
Change in fair value of investments	**(0.1)**	15.9
Income before income taxes – adjusted	**49.6**	81.4
Income tax rate	**27%**	26%
Computed expected income tax expense	**13.4**	21.2
Net income – adjusted[(1)]	**36.2**	60.2
Weighted average number of Common Shares outstanding – basic	**97,657,691**	91,649,994
Earnings per share – adjusted[(1)]	**$ 0.37**	$ 0.65

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

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

SEGMENTED INFORMATION – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2016

Nine month period ended September 30, 2016 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and Intersegment eliminations	Total
	$	$	$	$
Revenue	**516.5**	**266.1**	**(5.3)**	**777.3**
Direct operating expenses	**361.7**	**172.4**	**(7.5)**	**526.6**
Selling and administrative expenses	**64.4**	**36.3**	**11.5**	**112.2**
Operating income before depreciation and amortization[1]	**90.4**	**57.4**	**(9.3)**	**138.5**

Nine month period ended September 30, 2015 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and Intersegment eliminations	Total
	$	$	$	$
Revenue	537.3	391.4	(2.0)	926.7
Direct operating expenses	385.0	262.9	(4.2)	643.7
Selling and administrative expenses	64.2	48.1	(6.0)	106.3
Operating income before depreciation and amortization[1]	88.1	80.4	8.2	176.7

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

TRUCKING/LOGISTICS SEGMENT

Revenue

Revenue – Trucking/Logistics **Nine month periods ended September 30** *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%	$	%	$	%
Company	**358.7**	**69.4**	350.1	65.2	8.6	2.5
Contractors	**157.2**	**30.4**	186.8	34.8	(29.6)	(15.8)
Other	**0.6**	**0.2**	0.4	—	0.2	50.0
Total	**516.5**	**100.0**	537.3	100.0	(20.8)	(3.9)

The Trucking/Logistics segment generated 66.0 percent of pre-consolidated revenue in 2016 as compared to 57.9 percent in 2015. Revenue in this segment decreased by $20.8 million, or 3.9 percent, to $516.5 million as compared to $537.3 million in 2015 primarily due to decreased demand for most freight services in western Canada and lower fuel surcharge revenue. Fuel surcharge revenue decreased by $8.9 million to $33.8 million as compared to $42.7 million in 2015. These decreases were partially offset by incremental revenue related to the acquisition of Courtesy, revenue generated by Kleysen related to increased demand for transload services and market share gains in Manitoba and Saskatchewan. The net effect was that revenue declined by $6.2 million, $4.8 million and $9.8 million in the first, second and third quarters, respectively.

Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**96.1**	**26.8**	94.7	27.0	1.4	1.5
Fuel	**31.6**	**8.8**	35.3	10.1	(3.7)	(10.5)
Repairs and maintenance	**43.2**	**12.0**	43.5	12.4	(0.3)	(0.7)
Operating supplies	**15.2**	**4.2**	13.6	3.9	1.6	11.8
Other	**59.7**	**16.7**	58.6	16.8	1.1	1.9
	245.8	**68.5**	245.7	70.2	0.1	—
Contractors	**115.9**	**73.7**	139.3	74.6	(23.4)	(16.8)
Total	**361.7**	**70.0**	385.0	71.7	(23.3)	(6.1)

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

DOE in 2016 were $361.7 million as compared to $385.0 million in 2015. The decrease of $23.3 million, or 6.1 percent, was generally in line with the decrease in revenue. Overall as a percentage of revenue these expenses decreased by 1.7 percent to 70.0 percent as compared to 71.7 percent in 2015 due to cost cutting initiatives, a larger portion of revenue being generated by Company assets and the decline in Contractors expense as a percentage of revenue.

DOE related to Company Equipment increased by $0.1 million to $245.8 million as compared to $245.7 million in 2015 reflecting cost cutting initiatives relative to the $8.6 million increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased to 68.5 percent as compared to 70.2 percent in 2015. This 1.7 percent decrease as a percentage of Company revenue was due to the net effect of the following:

- fuel expenses that decreased by 1.3 percent of Company revenue to 8.8 percent, or $31.6 million, as compared to 10.1 percent or $35.3 million in 2015 largely due to the year over year decrease in diesel prices;
- continued focus on cost control; and
- operating supplies that increased by 0.3 percent of Company revenue to 4.2 percent, or $15.2 million, as compared to 3.9 percent or $13.6 million in 2015 largely due to the year over year increase in sale of industrial and aggregate products.

Contractors expense in 2016 decreased by $23.4 million to $115.9 million, as compared to $139.3 million in 2015 due to the $29.6 million decline in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased to 73.7 percent as compared to 74.6 percent in 2015 due to the greater availability of subcontractors in western Canada, particularly in the first and second quarters.

Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics Nine month periods ended September 30 *(unaudited)* *($ millions)*	2016		2015		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**38.7**	**7.5**	39.8	7.4	(1.1)	(2.8)
Communications, utilities and general supplies	**15.8**	**3.1**	16.3	3.0	(0.5)	(3.1)
Profit share	**6.6**	**1.3**	6.4	1.2	0.2	3.1
Foreign exchange	**0.3**	**0.1**	(1.4)	(0.3)	1.7	(121.4)
Rent and other	**3.0**	**0.5**	3.1	0.6	(0.1)	(3.2)
Total	**64.4**	**12.5**	64.2	11.9	0.2	0.3

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

S&A expenses in 2016 were $64.4 million as compared to $64.2 million in 2015. The increase of $0.2 million was primarily due to a $1.7 million negative variance in foreign exchange, incremental S&A expenses due to the Courtesy acquisition and a $0.2 million increase in profit share expense being somewhat offset by cost control initiatives, most notably a reduction in wages and benefits expense. S&A expenses as a percentage of segment revenue increased by 0.6 percent to 12.5 percent in comparison to 11.9 percent in 2015.

Operating Income Before Depreciation and Amortization

OIBDA[1] in 2016 increased by $2.3 million to $90.4 million, or 2.6 percent, as compared to $88.1 million generated in the same period last year. As a percentage of segment revenue, OIBDA[1] increased to 17.5 percent as compared to 16.4 percent in 2015. This 1.1 percent increase in operating margin was primarily due to the lower DOE. OIBDA[1] rose by $3.0 million and $1.5 million in the first and second quarters, respectively, but declined by $2.2 million in the third quarter.

Capital Expenditures

Net capital expenditures[1] were $12.2 million in the first nine months of 2016, a decrease of $9.1 million as compared to $21.3 million in 2015. The Trucking/Logistics segment had gross capital expenditures of $14.2 million and dispositions of $2.0 million for net capital expenditures[1] of $12.2 million in 2016. Gross capital expenditures mainly consisted of the purchase of trucks and trailers as well as various pieces of operating equipment. In 2015 gross capital expenditures were $22.9 million and dispositions were $1.6 million for net capital expenditures[1] of $21.3 million.

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

OILFIELD SERVICES SEGMENT

Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, declined significantly in 2016 as compared to the prior year. Industry statistics indicate that the average active rig count was 111 rigs during 2016 as compared to 190 active rigs in 2015, a decrease of 79 rigs or 41.6 percent. In addition, total wells drilled in 2016 decreased by 37.1 percent to 2,589 wells drilled in the period as compared to 4,116 wells drilled in 2015. The length of metres drilled within such wells decreased by 35.7 percent during the current period to 6.74 million metres as compared to 10.49 million metres in 2015.

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

	Nine month periods ended September 30			
	2016	**2015**	**# Change**	**% Change**
British Columbia	**238**	401	(163)	(40.6)
Alberta	**1,241**	2,204	(963)	(43.7)
Saskatchewan	**1,052**	1,335	(283)	(21.2)
Manitoba	**58**	176	(118)	(67.0)
Northwest Territories	**—**	—	—	—
Total	**2,589**	4,116	(1,527)	(37.1)

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

Revenue

Revenue – Oilfield Services
Nine month periods ended September 30
(unaudited)

($ millions)	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**193.7**	**72.8**	269.9	69.0	(76.2)	(28.2)
Contractors	**71.0**	**26.7**	120.0	30.7	(49.0)	(40.8)
Other	**1.4**	**0.5**	1.5	0.3	(0.1)	(6.7)
Total	**266.1**	**100.0**	391.4	100.0	(125.3)	(32.0)

The Oilfield Services segment generated 34.0 percent of pre-consolidated revenue in the first nine months of 2016 as compared to 42.1 percent in 2015. Revenue in this segment decreased by $125.3 million, or 32.0 percent, to $266.1 million as compared to $391.4 million in 2015 due to significant reductions in drilling activity and investments into capital projects as well as intense competition. Revenue decreased by $58.4 million, $31.7 million and $35.2 million in the first, second and third quarters, respectively. Specific factors affecting the Oilfield Services segment's year to date revenue were:

- a $66.8 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells;
- a $39.8 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- a $13.9 million decrease in revenue generated by those Business Units providing specialized services to the oil sands and water management industries being somewhat offset by an increase in demand for services associated with large diameter pipeline construction projects; and
- a $5.2 million decrease in revenue generated by those Business Units providing drilling services including core drilling for the oil sands.

Direct Operating Expenses

Direct Operating Expenses – Oilfield Services Nine month periods ended September 30 *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**48.7**	**25.1**	73.9	27.4	(25.2)	(34.1)
Fuel	**12.5**	**6.5**	18.2	6.7	(5.7)	(31.3)
Repairs and maintenance	**29.3**	**15.1**	42.8	15.9	(13.5)	(31.5)
Operating supplies	**18.7**	**9.7**	25.8	9.6	(7.1)	(27.5)
Other	**8.6**	**4.4**	11.0	4.0	(2.4)	(21.8)
	117.8	**60.8**	171.7	63.6	(53.9)	(31.4)
Contractors	**54.6**	**76.9**	91.2	76.0	(36.6)	(40.1)
Total	**172.4**	**64.8**	262.9	67.2	(90.5)	(34.4)

**as a percentage of respective Oilfield Services revenue*

DOE were $172.4 million in 2016 as compared to $262.9 million in 2015. The decrease of $90.5 million, or 34.4 percent, was directly related to the $125.3 million decline in segment revenue. As a percentage of revenue these expenses decreased by 2.4 percent to 64.8 percent as compared to 67.2 percent in 2015.

In 2016 DOE associated with Company Equipment decreased by $53.9 million, or 31.4 percent, to $117.8 million as compared to $171.7 million in 2015. This $53.9 million decrease was directly related to the $76.2 million decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 2.8 percent to 60.8 percent as compared to 63.6 percent in 2015 primarily due to aggressive cost management that resulted in reductions in nearly all areas, most notably a 2.3 percent reduction as a percentage of Company revenue in wages and benefits expense.

Contractors expense in 2016 decreased to $54.6 million, as compared to $91.2 million in 2015. This $36.6 million decrease was directly related to the $49.0 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased slightly to 76.9 percent as compared to 76.0 percent.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services Nine month periods ended September 30 *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Wages and benefits	**20.7**	**7.8**	27.7	7.1	(7.0)	(25.3)
Communications, utilities and general supplies	**9.7**	**3.6**	12.6	3.2	(2.9)	(23.0)
Profit share	**3.0**	**1.1**	3.1	0.8	(0.1)	(3.2)
Rent and other	**2.9**	**1.1**	4.7	1.2	(1.8)	(38.3)
Total	**36.3**	**13.6**	48.1	12.3	(11.8)	(24.5)

**as a percentage of total Oilfield Services revenue*

S&A expenses in 2016 decreased by $11.8 million to $36.3 million as compared to $48.1 million in 2015 primarily due to the $7.0 million decrease in wages and benefits expense as well as various cost control initiatives. S&A expenses as a percentage of segment revenue increased by 1.3 percent to 13.6 percent due to the overall fixed nature of these expenses relative to the $125.3 million decline in segment revenue.

Operating Income Before Depreciation and Amortization

OIBDA[1] in 2016 decreased by $23.0 million, or 28.6 percent, to $57.4 million. OIBDA[1] decreased by $14.0 million, $2.4 million and $6.6 million in the first, second and third quarters, respectively. The $23.0 million year over year decrease can be attributed to the net effect of the following:

- a $13.5 million decrease in those Business Units involved in the transportation of fluids and servicing of wells;
- a $10.1 million decrease from Business Units tied to drilling related activity;
- a $2.2 million decrease from Business Units providing drilling services; and
- a $2.8 million increase relating to those Business Units leveraged to the oil sands and pipeline construction projects.

OIBDA[1] represented as a percentage of segment revenue, increased to 21.6 percent in 2016 from 20.5 percent in 2015. The 1.1 percent increase in operating margin was due to the decrease in DOE as a percentage of segment revenue.

Capital Expenditures

Net capital expenditures[1] were $(0.7) million in the first nine months of 2016, a decrease of $8.8 million as compared to $8.1 million in 2015. The Oilfield Services segment had gross capital expenditures of $1.8 million and dispositions of $2.5 million for net capital expenditures[1] of $(0.7) million in 2016. Gross capital expenditures mainly consisted of the purchase of operating equipment for Canadian Dewatering and Premay Pipeline Hauling L.P.. The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2015 gross capital expenditures were $11.7 million and dispositions were $3.6 million for net capital expenditures[1] of $8.1 million. A significant portion of the 2015 gross capital expenditures consisted of equipment that had been ordered in the prior year.

CORPORATE

The Corporate Office experienced an operating loss of $9.3 million in the first nine months of 2016 as compared to generating a profit of $8.2 million in 2015. The $17.5 million year over year variance was mainly attributable to an $18.1 million negative variance in foreign exchange. In the first nine months of 2016, the Corporate Office recorded a foreign exchange loss of $5.7 million as compared to a foreign exchange gain of $12.4 million in 2015. The $5.7 million foreign exchange loss in 2016 was due to the Corporate Office holding an average of approximately U.S. $75.0 million of cash combined with a $0.07 weakening of the U.S. dollar relative to the Canadian dollar. Excluding the effects of foreign exchange, Corporate Office experienced a loss of $3.6 million as compared to a loss of $4.2 million in 2015. The reduction of $0.6 million was due to cost control initiatives.

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

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Nine month periods ended September 30	
	2016	**2015**
Net cash from operating activities	**$ 127.8**	$ 146.8
Net cash from (used in) financing activities	**6.2**	(105.7)
Net cash used in investing activities	**(14.6)**	(238.9)
Change in cash and cash equivalents	**119.4**	(197.8)
Effect of exchange rate fluctuations on cash held	**(5.3)**	13.0
Cash and cash equivalents, beginning of period	**147.2**	325.4
Cash and cash equivalents, end of period	**$ 261.3**	$ 140.6

Sources and Uses of Cash

Net cash from operating activities in the first nine months of 2016 decreased to $127.8 million as compared to $146.8 million in 2015. The decrease of $19.0 million, or 12.9 percent, was mainly due to a $38.2 million reduction in OIBDA[1] and a $13.9 million change in non-cash working capital items from operating activities in 2016 as compared to 2015. These items were somewhat offset by a $14.9 million reduction in the amount of income taxes paid in the first nine months of 2016 as compared to 2015.

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

Changes in Non-Cash Working Capital Items from Operating Activities

(unaudited) *($ millions)*	Nine month periods ended September 30		
	2016	**2015**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(4.6)**	55.8	(60.4)
Inventory	**(0.5)**	(1.5)	1.0
Prepaid expenses	**(1.8)**	(2.4)	0.6
Accounts payable and accrued liabilities	**11.2**	(33.7)	44.9
Total sources (uses) of cash from non-cash working capital items	**4.3**	18.2	(13.9)

Operating Activities

In the first nine months of 2016, Mullen Group generated $4.3 million of cash from changes in non-cash working capital items from operating activities as compared to generating $18.2 million of cash in 2015. This $13.9 million variance was mainly due to the factors listed below.

- An additional $60.4 million of cash was used from trade and other receivables that resulted from the combined effect of a $4.6 million use of cash in 2016 as compared to a $55.8 million source of cash in 2015.

Somewhat offsetting this item was the following:

- An additional $44.9 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of an $11.2 million source of cash in 2016 as compared to a $33.7 million use of cash in 2015.

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

- An additional $0.6 million of cash was generated from prepaid expenses that resulted from the combined effect of a $1.8 million use of cash in 2016 as compared to a $2.4 million use of cash in 2015.

- An additional $1.0 million of cash was generated from inventory that resulted from the combined effect of a $0.5 million use of cash in 2016 as compared to a $1.5 million use of cash in 2015.

Financing Activities

Net cash from financing activities was $6.2 million in the first nine months of 2016 as compared to a $105.7 million use of cash in 2015. This $111.9 million variance was mainly due to the factors set forth below.

- An additional $153.1 million of cash was generated from closing the Offering and the Private Placement in the second quarter of 2016.

- A $31.6 million decrease in dividends paid to shareholders in the first nine months of 2016 as compared to 2015 due to reductions in the monthly dividend in 2016.

Somewhat offsetting these items were the following:

- A $71.0 million increase in the repayment of long-term debt and loans in 2016 as compared to 2015. The increase of $71.0 million was mainly due to repaying the Series C ($70.0 million) Notes in the first quarter of 2016.

- A $35.0 million increase in cash was obtained from borrowings in the first quarter of 2016 under the Bank Credit Facility (as hereafter defined on page 42), which was subsequently repaid in the second quarter of 2016.

- A reduction of $0.9 million of cash received from the exercise of stock options.

- A $0.2 million increase in interest paid on long-term debt.

Investing Activities

Net cash used in investing activities decreased to $14.6 million in the first nine months of 2016 as compared to $238.9 million in 2015. This $224.3 million decrease was mainly due to the factors set forth below.

- A $162.4 million decrease in acquisition costs due to the 2015 acquisition of Gardewine as compared to the 2016 acquisitions of Motrux and Northern Frontier.

- A $46.2 million decrease in net capital expenditures[1]. In 2015 net capital expenditures[1] were $58.2 million, a significant portion of which related to the purchase of real property within Saskatchewan that is currently being used in the operations of Jay's Transportation Group Ltd.

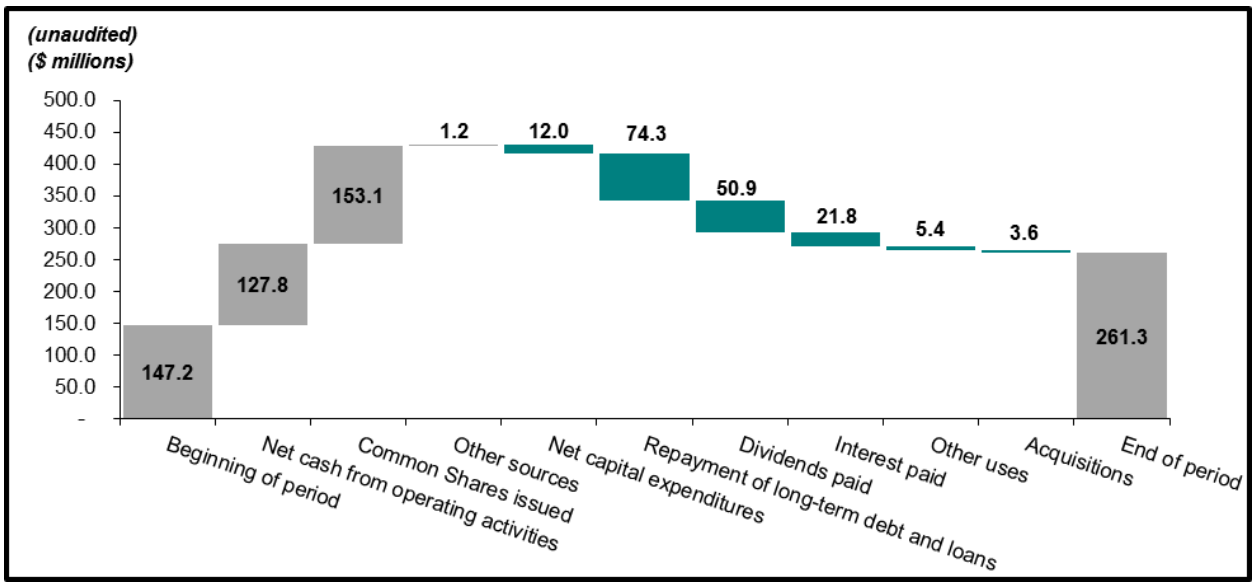
- A $6.6 million decrease in the purchase of investments due to acquiring minority equity interests in 2015 in Cordova, Envolve and Butler Ridge.

- A $4.4 million decrease in other assets, which was mainly due to issuing $4.3 million of debentures in 2015 to Envolve in conjunction with the equity investment.

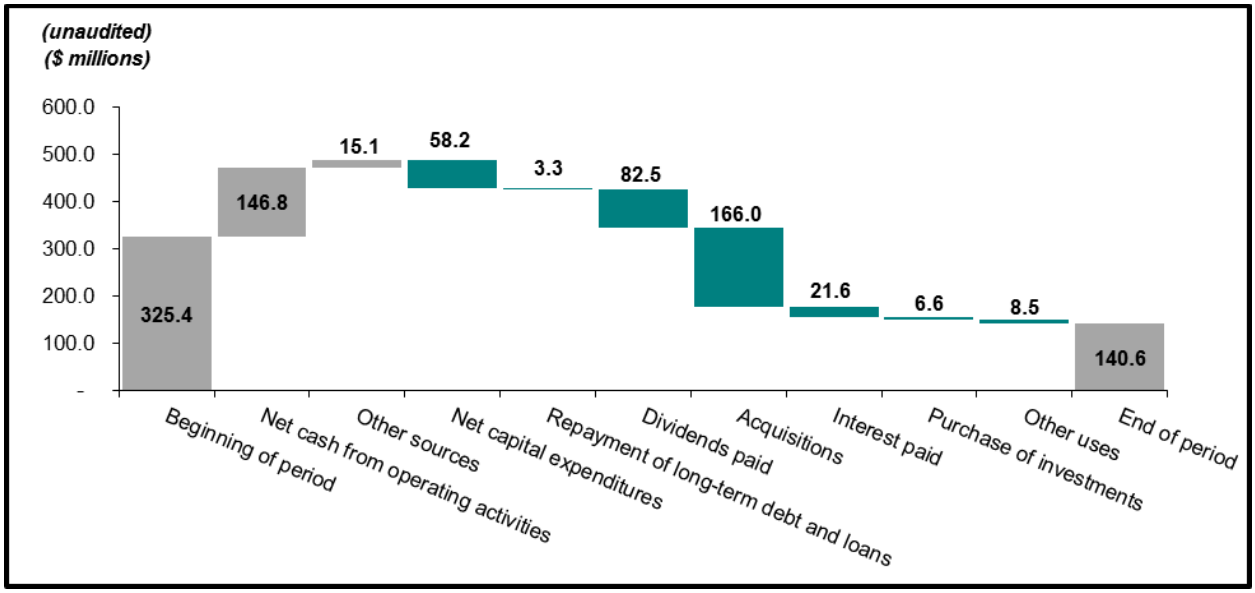
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

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

Nine month period ended September 30, 2016



Nine month period ended September 30, 2015



In addition to the $127.8 million (2015 – $146.8 million) of net cash from operating activities, Mullen Group also received $153.1 million of cash upon closing the Offering and the Private Placement and $1.2 million (2015 – $15.1 million) of cash from other sources, which mainly consisted of interest income generated on cash and cash equivalents. Cash was used to fund acquisitions of $3.6 million (2015 – $166.0 million), repay long-term debt and loans of $74.3 million (2015 – $3.3 million), pay dividends totalling $50.9 million (2015 – $82.5 million), incur net capital expenditures[1] of $12.0 million (2015 – $58.2 million), pay interest obligations of $21.8 million (2015 – $21.6 million) and purchase investments of nil (2015 – $6.6 million). Mullen Group also had $5.4 million (2015 – $8.5 million) of other uses, which mainly consisted of the effect of exchange rate fluctuations on U.S. dollar cash held.

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

Working Capital

At September 30, 2016, Mullen Group had $238.8 million (December 31, 2015 – $187.1 million) of working capital, which included $261.3 million (December 31, 2015 – $147.2 million) of cash and cash equivalents. Mullen Group also had access to its $75.0 million credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). At September 30, 2016, there were no amounts drawn on the Bank Credit Facility. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 are available to finance Mullen Group's ongoing working capital requirements, dividends declared by the Board, its 2016 capital expenditure budget, as well as various special projects and acquisition opportunities.

Capital Expenditures

On December 16, 2015, the Board approved a $25.0 million capital expenditure budget for 2016, with the majority allocated towards purchasing trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment. The 2016 capital expenditure budget is significantly less than the gross capital expenditures of $73.3 million in 2015, $125.7 million in 2014 and $133.7 million in 2013. Over the past several years, the Corporation has made significant investments in updating its fleet of trucks and trailers and expanding its real estate portfolio. The reduction in capital expenditures for 2016 mainly resulted from the severe cyclical downturn in the oil and natural gas industry. Generally, over the course of an economic cycle, Mullen Group's maintenance capital expenditure approximates its annual depreciation on property, plant and equipment, which was $75.3 million and $69.3 million in 2015 and 2014, respectively. Mullen Group's diverse business model, and its wide range of operations, provides the Corporation with the ability to redeploy certain assets over different regions for greater utilization. It also provides the Corporation with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

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Debt

As at September 30, 2016, Mullen Group had net debt[1] outstanding of $314.4 million, (December 31, 2015 – $522.0 million), which consisted of total debt of $686.1 million (December 31, 2015 – $780.9 million) less working capital (excluding the current portion of long-term debt) of $371.7 million (December 31, 2015 – $258.9 million). The repayment of the Series C ($70.0 million) Notes and the strengthening of the Canadian dollar relative to the U.S. dollar is the primary reason for the decrease in the carrying value of the long-term debt. Total debt is comprised of the Private Placement Debt, Debentures, Various Financing Loans and the Bank Credit Facility. The following table summarizes Mullen Group's total and net debt[1] as at September 30, 2016, and December 31, 2015:

		September 30, 2016		December 31, 2015		
($ millions)	**Interest Rate**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**Change in CDN. Dollar Equivalent**
Private Placement Debt:						
Series C - repaid on March 30, 2016	5.60%	**$ —**	**$ —**	$ —	$ 70.0	**$ (70.0)**
Series D - matures June 30, 2018	5.76%	**—**	**70.0**	—	70.0	**—**
Series E - matures September 27, 2017	5.90%	**85.0**	**111.5**	85.0	117.6	**(6.1)**
Series F - matures September 27, 2017	5.47%	**—**	**20.0**	—	20.0	**—**
Series G - matures October 22, 2024	3.84%	**117.0**	**153.5**	117.0	161.9	**(8.4)**
Series H - matures October 22, 2026	3.94%	**112.0**	**146.9**	112.0	155.0	**(8.1)**
Series I - matures October 22, 2024	3.88%	**—**	**30.0**	—	30.0	**—**
Series J - matures October 22, 2026	4.00%	**—**	**3.0**	—	3.0	**—**
Series K - matures October 22, 2024	3.95%	**—**	**58.0**	—	58.0	**—**
Series L - matures October 22, 2026	4.07%	**—**	**80.0**	—	80.0	**—**
Bank Credit Facility	variable[(1)]	**—**	**—**	—	—	**—**
Various Financing Loans	3.63% - 7.68%	**—**	**3.2**	—	5.2	**(2.0)**
Less:						
Unamortized debt issuance costs		**—**	**(2.3)**	—	(2.0)	**(0.3)**
Long-term debt (including the current portion)		**314.0**	**673.8**	314.0	768.7	**(94.9)**
Debentures - debt component	10.0%	**—**	**12.3**	—	12.2	**0.1**
Total debt		**$ 314.0**	**$ 686.1**	$ 314.0	$ 780.9	**$ (94.8)**
Less:						
Working capital (excluding the current portion of long-term debt)			**371.7**		258.9	**112.8**
Net debt[(2)]			**$ 314.4**		$ 522.0	**$ (207.6)**

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

Amending Agreement and Private Placement Debt Financial Covenants

Mullen Group has certain financial covenants under its Private Placement Debt. On March 31, 2016, Mullen Group entered into an Amending Agreement with its Private Placement Debt noteholders. The Amending Agreement replaces the financial covenant term total debt with total net debt[1] during the Covenant Relief Period. During the Covenant Relief Period, total net debt[1] is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt[1] will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same. There are two main financial covenants, as summarized as follows:

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

Total Net Debt[1] to Operating Cash Flow. Mullen Group's total net debt[1] cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt[1] means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and letters of credit, excluding the Debentures less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Mullen Group's total net debt[1] to operating cash flow financial covenant under its Private Placement Debt enables the Corporation to include the trailing twelve months operating cash flows from acquisitions.

Total net debt[1] to operating cash flow in 2016 and total debt to operating cash flow for the period ended December 31, 2015, was calculated as follows:

Total net debt[(1)] to operating cash flow	**September 30 2016**	**June 30 2016**	**March 31 2016**	**December 31[(2)] 2015**
Total net debt[(1)]	**$ 432.8**	**$** 452.4	**$** 625.3	$ 770.3
Operating cash flow	**$ 193.7**	**$** 205.3	**$** 205.4	$ 231.3
Total net debt[(1)] to operating cash flow	**2.23:1**	2.20:1	3.04:1	3.33:1

(1) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".*
(2) *Total debt calculated pursuant to the Note Purchase Agreement in place prior to the execution of the Amending Agreement.*

Total Earnings Available for Fixed Charges to Total Fixed 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, as evidenced by the table below, is in compliance with both of the aforementioned covenants.

Financial Covenants	**Financial Covenant Threshold**	**September 30 2016**	**June 30 2016**	**March 31 2016**	**December 31[(2)] 2015**
Private Placement Debt Covenants					
(a) Total net debt[(1)] to operating cash flow cannot exceed	3.50:1	**2.23:1**	2.20:1	3.04:1	3.33:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	**4.86:1**	4.96:1	4.85:1	5.48:1

(1) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".*
(2) *Total debt calculated pursuant to the Note Purchase Agreement in place prior to the execution of the Amending Agreement.*

Mullen Group's total net debt[1] to operating cash flow covenant was 2.23:1 at September 30, 2016. Assuming the $432.8 million of total net debt[1] remains constant, Mullen Group would need to generate approximately $123.7 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. Mullen Group has $261.3 million of cash as at September 30, 2016, a portion of which could be used to prepay some of its existing debt. All or a portion of the $261.3 million of cash could also be used to acquire businesses. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to Mullen Group's trailing twelve month operating cash flows from the date of acquisition for financial covenant calculation purposes.

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

Mullen Group's debt-to-equity ratio was 0.71:1 at September 30, 2016, as compared to 0.97:1 at December 31, 2015. This decrease in the debt-to-equity ratio was due to the net effect of a $94.9 million decrease in total debt (including the current portion) and a $163.4 million increase in equity as compared to December 31, 2015. The $94.9 million decrease in total debt was mainly due to the repayment of Series C ($70.0 million) Notes and from the effect of the $22.7 million unrealized foreign exchange gain on the Corporation's U.S. dollar denominated debt. The $163.4 million increase in equity mainly resulted from the $154.9 million increase in share capital due to closing the Offering and the Private Placement and from $52.7 million of net income recognized in 2016. These items were somewhat offset by the $44.9 million of dividends declared to shareholders in 2016.

Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 40 of the 2015 MD&A. As at September 30, 2016, other than the repayment of the Series C ($70.0 million) Notes, Mullen Group's contractual obligations have not changed significantly from this overview.

Share Capital

The authorized share capital of Mullen Group 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, 2015	91,661,066	$	778.4
Common Shares issued on the Offering and Private Placement	11,993,250		154.9
Common Shares issued on conversion of Debentures	—		—
Common Shares issued on exercise of stock options	—		—
Balance at September 30, 2016	**103,654,316**	**$**	**933.3**

At September 30, 2016, Mullen Group had 103,654,316 Common Shares outstanding representing $933.3 million in share capital, an increase of $154.9 million as compared to $778.4 million at December 31, 2015. This increase was due to the Corporation closing the Offering and the Private Placement whereby 11,993,250 Common Shares were issued for net proceeds of $153.1 million, which was adjusted by $1.7 million of deferred tax related to the share issuance costs.

Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued $125.0 million of Debentures, by way of private placement, at a price of $1,000 per Debenture. The Debentures mature on July 1, 2018, and bear interest at an annual rate of 10.0 percent payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year. Each $1,000 Debenture is convertible into 93.2 Common Shares of Mullen Group (or a conversion price of $10.73) at any time at the option of the holders of the Debentures. As at the date of issuance, an aggregate of approximately 11.65 million Common Shares of Mullen Group would be issued if all holders converted their principal amount. In addition to the principal amount, as Debentures are converted, any accrued and unpaid interest is also converted into Common Shares of Mullen Group at a conversion price of $10.73.

The details of the Debentures are as follows:

($ millions)		September 30, 2016		December 31, 2015	
Year of Maturity	**Nominal Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2018	10%	**$ 12.4**	**$ 12.3**	$ 12.4	$ 12.2

As at September 30, 2016, on a cumulative basis, a total of 112,555 Debentures representing $112.6 million of aggregate principal amount had been converted into 10,686,804 Common Shares of Mullen Group. As such, Mullen Group had 12,445 Debentures outstanding that could be converted into an aggregate of approximately 1,159,874 Common Shares of the Corporation. As subordinated debt, the accounting value assigned to the Debentures, including any related interest expense, is excluded from Mullen Group's financial covenant calculations on its Private Placement Debt. The Debentures are also subordinated to the Bank Credit Facility.

Stock Option Plan

	Options	**Weighted average exercise price**
Outstanding – December 31, 2015	2,354,744	$ 20.94
Granted	—	—
Exercised	—	—
Forfeited	(197,244)	(20.48)
Outstanding – September 30, 2016	**2,157,500**	**$ 20.98**
Exercisable – September 30, 2016	**967,500**	**$ 19.99**

The total number of options available to be issued under the stock option plan cannot exceed 4,000,000. In the first nine months of 2016, there were no stock options granted or exercised and there were 197,244 stock options forfeited.

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SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

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

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

Financial Results

	TTM[1]	2016			2015				2014
(unaudited)		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
($ millions, except per share amounts)	**$**	$	$	$	$	$	$	$	$
Revenue	**1,065.0**	258.6	**247.0**	**271.7**	287.7	**304.7**	284.8	337.2	345.2
Operating income before depreciation and amortization[2]	**191.2**	53.6	**46.0**	**38.9**	52.7	**65.5**	46.4	64.8	64.9
Operating income before depreciation and amortization – adjusted[2]	**193.5**	52.1	**46.6**	**45.5**	49.3	**59.4**	47.5	57.4	63.1
Net income	**55.1**	17.6	**13.7**	**21.4**	2.4	**7.3**	0.9	2.8	22.2
Earnings per share									
Basic	**0.57**	0.17	**0.14**	**0.23**	0.03	**0.08**	0.01	0.03	0.25
Diluted	**0.57**	0.17	**0.14**	**0.23**	0.03	**0.08**	0.01	0.03	0.24
Other Information									
Net unrealized foreign exchange (gain) loss	**(6.6)**	5.0	**(5.7)**	**(16.5)**	10.6	**10.2**	1.2	17.7	4.6
Decrease (increase) in fair value of investments	**3.4**	(4.4)	**4.2**	**0.1**	3.5	**7.4**	4.2	4.3	18.0

(1) *TTM represents the "trailing twelve months" and consists of a summary of the Corporation's financial results for the most recently completed four quarters.*

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

Consolidated revenue in the third quarter of 2016 decreased by $46.1 million, or 15.1 percent, to $258.6 million as compared to $304.7 million in 2015. The decrease of $46.1 million was attributable to a reduction in revenue experienced by both the Oilfield Services segment and the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $35.2 million and was due to the continuation of low commodity prices, which resulted in lower drilling activity levels and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity, from lower demand for large diameter pipeline construction projects and dewatering services. These decreases were somewhat offset by greater demand for heavy haul freight services related to Alberta's oil sands. The Trucking/Logistics segment experienced a $9.8 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and lower freight volumes predominately in Alberta. These decreases were somewhat offset by the incremental revenue generated from the acquisitions of Courtesy and Motrux as well as from the increased revenue generated by Smook Contractors and Mullen Trucking. Net income in the third quarter of 2016 was $17.6 million,

an increase of $10.3 million from the $7.3 million generated in 2015. The $10.3 million increase in net income was mainly attributable to an $11.8 million positive variance in the fair value of investments and a $5.2 million positive variance in net unrealized foreign exchange. These increases were somewhat offset by an $11.9 million decrease in OIBDA[1]. As a result, basic earnings per share in the third quarter of 2016 was $0.17, an increase of $0.09, from the $0.08 generated in 2015.

Consolidated revenue in the second quarter of 2016 decreased by $37.8 million, or 13.3 percent, to $247.0 million as compared to $284.8 million in 2015. The decrease of $37.8 million was attributable to a reduction in revenue experienced by both the Oilfield Services segment and the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $31.7 million and was due to extremely low drilling activity levels and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for services related to Alberta's oil sands including heavy haul freight and dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a $4.8 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and lower transportation volumes predominately in Alberta. These decreases were somewhat offset by increased demand for transload services and from the incremental revenue generated from the acquisition of Courtesy. Net income in the second quarter of 2016 was $13.7 million, an increase of $12.8 million from the $0.9 million generated in 2015. The $12.8 million increase in net income was mainly attributable to a $6.9 million positive variance in net unrealized foreign exchange, a $4.7 million decrease in income tax expense and a $0.9 million decrease in finance costs. These increases were somewhat offset by a $1.0 million increase in loss on sale of property, plant and equipment and a $0.4 million decrease in OIBDA[1]. As a result, basic earnings per share in the second quarter of 2016 was $0.14, an increase of $0.13, from the $0.01 generated in 2015.

Consolidated revenue in the first quarter of 2016 decreased by $65.5 million, or 19.4 percent, to $271.7 million as compared to $337.2 million in 2015. The decrease of $65.5 million was attributable to a reduction in revenue experienced by both the Oilfield Services segment and the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $58.4 million and was mainly due to extremely low drilling activity in the WCSB. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells and from those Business Units most directly tied to oil and natural gas drilling activity. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a $6.2 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and a reduction in demand for heavy haul freight services in western Canada. These decreases were somewhat offset by increased demand for transload services and from the incremental revenue generated from the acquisition of Courtesy. Net income in the first quarter of 2016 was $21.4 million, an increase of $18.6 million from the $2.8 million generated in 2015. The $18.6 million increase in net income was mainly attributable to a $34.2 million positive variance in net unrealized foreign exchange, a $4.2 million positive variance in the fair value of investments and a $6.5 million decrease in income tax expense. These increases were somewhat offset by a $25.9 million decrease in OIBDA[1] and a $0.5 million increase in finance costs. As a result, basic earnings per share in the first quarter of 2016 was $0.23, an increase of $0.20, from the $0.03 generated in 2015.

Consolidated revenue in the fourth quarter of 2015 decreased by $57.5 million, or 16.7 percent, to $287.7 million as compared to $345.2 million in 2014. The decrease of $57.5 million was attributable to a reduction in revenue experienced in the Oilfield Services segment being somewhat offset by an increase in revenue experienced by the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $89.9 million and was due to the continuation of low commodity prices, which resulted in lower drilling activity levels and reduced capital investments in western Canada. This led to revenue declines in almost all of our Business Units within this segment. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a $31.4 million increase in revenue due to the incremental revenue generated from the net effect of the acquisitions of Gardewine and Courtesy and the disposition of Mill Creek Motor Freight L.P. ("**Mill Creek**") Net income in the fourth quarter of 2015 was $2.4 million, a decrease of $19.8 million as compared to the $22.2 million generated in 2014. The $19.8 million decrease in net income was mainly attributable to a $12.2 million decrease in OIBDA[1], a $10.8 million increase in loss on sale of property, plant and equipment, a $10.8 million gain on sale of Mill Creek recorded in 2014 and a $6.0 million negative variance in net unrealized foreign exchange. These decreases were somewhat offset by a $14.5 million positive variance in the fair value of investments and a $4.2 million reduction in income tax expense. As a result, basic earnings per share in the fourth quarter of 2015 was $0.03, a decrease of $0.22, from the $0.25 generated in 2014.

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

TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 58 of the 2015 MD&A. As at September 30, 2016, other than the related parties that participated in the Private Placement on May 17, 2016, by purchasing 422,000 Common Shares at a price of $13.30 per Common Share for gross proceeds of approximately $5.6 million, the transactions with related parties have not changed significantly from these descriptions.

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

PRINCIPAL RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties can be found beginning on page 59 of the 2015 MD&A. As at September 30, 2016, these business risks and uncertainties have not changed significantly from those descriptions.

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations and is based upon its Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 69 of the 2015 MD&A. As at September 30, 2016, Mullen Group's critical accounting estimates have not changed significantly from such description.

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

A description of new standards and interpretations not yet adopted can be found on page 73 of the 2015 MD&A. There have been no new standards or interpretations issued during 2016 that significantly impact Mullen Group.

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at September 30, 2016, an evaluation of the effectiveness of Mullen Group's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and the CFO concluded that, as at September 30, 2016, the design and operation of Mullen Group's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

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

Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at September 30, 2016, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") published an updated *Internal Control – Integrated Framework* and related illustrative documents (the "**2013 COSO Framework**"). As of December 31, 2015, Mullen Group was utilizing the 2013 COSO Framework as it relates to its internal control over financial reporting. In 2016 there was no change in Mullen Group's internal control over financial reporting that materially affected or is reasonably likely to materially affect Mullen Group's internal control over financial reporting.

FORWARD-LOOKING INFORMATION STATEMENTS

This MD&A contains forward-looking statements within the meaning of applicable Canadian Securities laws relating to:

- Mullen Group's expectation that it can use its strong balance sheet as a competitive advantage, positioning Mullen Group for the future, as referred to in the Executive Summary beginning on page 4;

- Mullen Group's expectation that business will remain challenging for the balance of 2016 and that we anticipate freight demand to be price sensitive and competitive, as referred to in the Outlook section beginning on page 6;

- Mullen Group's comment that drilling activity in western Canada appears to have bottomed and that we expect some modest sequential improvement in activity levels over the course of the next few quarters, as referred to in the Outlook section beginning on page 6;

- Mullen Group's expectation that it will be able to enhance its competitive position in several key markets over the course of the next few quarters as industry capacity tightens, as referred to in the Outlook section beginning on page 6;

- Mullen Group's intention to pay monthly dividends of $0.03 per Common Share commencing with the declaration of the May 2016 dividend, as referred to in the Dividends section beginning on page 8;

- Mullen Group's expectation to allocate the majority of its $25.0 million capital expenditure budget for 2016 towards purchasing trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment, as referred to in the Capital Expenditures section beginning on page 10; and

- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 to finance its ongoing working capital requirements, dividends declared by the Board, its 2016 capital expenditure budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 39;

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. With respect to forward-looking statements contained within this MD&A, Mullen Group has made the assumptions listed below:

- Mullen Group's expectation that it can use its strong balance sheet as a competitive advantage, positioning Mullen Group for the future, is based on the assumption that challenging market conditions are now creating acquisition opportunities that we have not seen for many years.

- Mullen Group's expectation that business will remain challenging for the balance of 2016 and that we anticipate freight demand to be price sensitive and competitive, is based on the assumption that the demand for trucking and logistics in Canada is expected to remain soft principally due to the lack of any real growth in the Canadian economy, a trend confirmed by the Bank of Canada as well as many economists. In addition, the Province of Alberta remains mired in a difficult and deep recession.

- Mullen Group's comment that drilling activity in western Canada appears to have bottomed and that we expect some modest sequential improvement in activity levels over the course of the next few quarters, is based on the assumption that the prospects for drilling activity has improved, driven by higher commodity prices and the strengthening of oil and natural gas producers' balance sheets. Any recovery in drilling activity will benefit our nine Business Units tied to Production Services and Drilling Related Services. Overall, we anticipate demand and pricing to remain soft across most market segments.

- Mullen Group's expectation that it will be able to enhance its competitive position in several key markets over the course of the next few quarters as industry capacity tightens, is based on the assumption that many competitors do not have the scale, size, diversity or balance sheet strength as Mullen Group and are vulnerable in today's ultra-competitive market and that we continue to evaluate a number of acquisition opportunities.

- Mullen Group's intention to pay monthly dividends of $0.03 per Common Share commencing with the declaration of the May 2016 dividend, is based on the assumption that Mullen Group will generate sufficient free cash flow from operating activities to support the monthly dividend.

- Mullen Group's expectation to allocate the majority of its $25.0 million capital expenditure budget for 2016 towards purchasing trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment, is based on the assumption that its Business Units will require capital to support their ongoing operations and growth opportunities.

- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 to finance its ongoing working capital requirements, dividends declared by the Board, its 2016 capital expenditure budget, as well as various special projects and acquisition opportunities. This assumption is based on Mullen Group's belief that its access to cash will exceed its expected requirements.

Although Mullen Group believes 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 Mullen Group can give no assurance that they will prove to be correct.

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

Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Mullen Group along with the forward-looking statements in this MD&A, may be found in the Advisory on page 1 as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and 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.

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP AND ADDITIONAL GAAP TERMS

The Interim Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to OIBDA, OIBDA – adjusted, net income – adjusted, earnings per share – adjusted, net capital expenditures, net debt, total net debt and cash flow per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. This MD&A reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These Non-GAAP and Additional GAAP Terms may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the foregoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.

Operating Income Before Depreciation and Amortization

OIBDA is an additional GAAP term and is defined as net income before depreciation of property, plant and equipment, amortization of intangible assets, finance costs, net unrealized foreign exchange gains and losses, other (income) expense and income taxes. Management relies on OIBDA as a measurement since it provides an indication of Mullen Group's ability to generate cash from its principal business activities prior to depreciation and amortization, financing, or taxation in various jurisdictions. Net income is also an indicator of financial performance; however, net income includes expenses that are not a direct result of Mullen Group's operating activities.

Reconciliation of Net Income to Operating Income Before Depreciation and Amortization

(unaudited) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2016	**2015**	**2016**	**2015**
Net income	**$ 17.6**	$ 7.3	**$ 52.7**	$ 11.0
Add (deduct):				
Income tax expense	**7.7**	7.7	**14.2**	25.4
Net unrealized foreign exchange loss (gain)	**5.0**	10.2	**(17.2)**	29.1
Other (income) expense	**(4.4)**	7.0	**(0.5)**	14.5
Finance costs	**7.6**	9.3	**24.7**	26.8
Depreciation of property, plant and equipment	**17.6**	19.3	**53.2**	55.7
Amortization of intangible assets	**2.5**	4.7	**11.4**	14.2
Operating income before depreciation and amortization	**$ 53.6**	$ 65.5	**$ 138.5**	$ 176.7

Operating Income Before Depreciation and Amortization – Adjusted

OIBDA – adjusted is a Non-GAAP term and is defined as net income before depreciation of property, plant and equipment, amortization of intangible assets, finance costs, net unrealized foreign exchange gains and losses, other (income) expense, income taxes and foreign exchange gains and losses recognized on U.S. denominated cash held within the Corporate Office. Management relies on OIBDA – adjusted as a measurement since it provides an indication of Mullen Group's ability to generate cash from its principal business activities prior to depreciation and amortization, financing, taxation in various jurisdictions and gains and losses recognized on U.S. cash held within the Corporate Office. Net income is also an indicator of financial performance, however, net income includes expenses that are not a direct result of Mullen Group's operating activities.

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

(unaudited) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2016	**2015**	**2016**	**2015**
Net income	**$ 17.6**	$ 7.3	**$ 52.7**	$ 11.0
Add (deduct):				
Income tax expense	**7.7**	7.7	**14.2**	25.4
Net unrealized foreign exchange loss (gain)	**5.0**	10.2	**(17.2)**	29.1
Other (income) expense	**(4.4)**	7.0	**(0.5)**	14.5
Finance costs	**7.6**	9.3	**24.7**	26.8
Depreciation of property, plant and equipment	**17.6**	19.3	**53.2**	55.7
Amortization of intangible assets	**2.5**	4.7	**11.4**	14.2
Selling and administrative expenses[1]	**(1.5)**	(6.1)	**5.7**	(12.4)
Operating income before depreciation and amortization – adjusted	**$ 52.1**	$ 59.4	**$ 144.2**	$ 164.3

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

Net Income – Adjusted and Earnings per Share – Adjusted

Net income – adjusted and earnings per share – adjusted are calculated by adjusting net income and basic earnings per share by the impact of any net unrealized foreign exchange gains and losses and from the change in fair value of investments. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See pages 18 and 32 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

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

(unaudited) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2016	**2015**	**2016**	**2015**
Purchase of property, plant and equipment	**$ 4.7**	$ 14.0	**$ 16.2**	$ 63.3
Proceeds on sale of property, plant and equipment	**(1.2)**	(1.3)	**(4.2)**	(5.1)
Net capital expenditures	**$ 3.5**	$ 12.7	**$ 12.0**	$ 58.2

Net Debt

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

(unaudited) ***($ millions)***		**September 30, 2016**		**December 31, 2015**
Long-term debt	**$**	**540.9**	$	696.9
Convertible debentures - debt component		**12.3**		12.2
Total debt		**553.2**		709.1
Less working capital:				
Current assets		**474.9**		353.1
Current liabilities		**(236.1)**		(166.0)
Total working capital		**238.8**		187.1
Net debt	**$**	**314.4**	$	522.0

Total Net Debt

On March 31, 2016, Mullen Group entered into an agreement with its Private Placement Debt noteholders to amend certain financial covenant terms up to and including the Covenant Relief Period. The Amending Agreement replaces the financial covenant term total debt with total net debt for financial covenant calculation purposes. During the Covenant Relief Period, total net debt is calculated by subtracting the value of any cash and cash equivalents in excess of $50.0 million and subtracting any unrealized gain on Cross-Currency Swaps or adding any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position from total debt as defined by the agreement. Management calculates total net debt to monitor its capital structure and makes adjustments to it in light of changes in economic conditions.

(unaudited) ***($ millions)***			**September 30, 2016**
Private Placement Debt (including current portion)			**$ 670.6**
Various Financing Loans			**3.2**
Letters of credit			**4.7**
Total debt			**678.5**
Less: excess cash			
Cash and cash equivalents	$	261.3	
Covenant threshold		(50.0)	
Excess cash			**(211.3)**
Less: unrealized gain on Cross-Currency Swaps			**(34.4)**
Add: unrealized loss on Cross-Currency Swaps			—
			(245.7)
Total net debt			**$ 432.8**

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 September 30		Nine month periods ended September 30	
	2016	**2015**	**2016**	**2015**
Net cash from operating activities	**$ 44.4**	$ 42.2	**$ 127.8**	$ 146.8
Weighted average number of Common Shares outstanding	**103,654,316**	91,660,684	**97,657,691**	91,649,994
Cash flow per share	**$ 0.43**	$ 0.46	**$ 1.31**	$ 1.60

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SEPTEMBER 30, 2016

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		September 30 2016		December 31 2015
Assets					
Current assets:					
Cash and cash equivalents		**$**	**261,262**	$	147,243
Trade and other receivables			**165,237**		159,963
Inventory			**30,750**		30,278
Prepaid expenses			**11,635**		9,620
Current tax receivable			**6,017**		6,019
			474,901		353,123
Non-current assets:					
Property, plant and equipment			**954,509**		992,206
Goodwill			**344,343**		344,186
Intangible assets			**18,887**		30,107
Investments			**44,072**		42,495
Deferred tax assets			**10,202**		9,807
Derivative financial instruments	**6**		**34,448**		39,949
Other assets			**5,165**		5,162
			1,411,626		1,463,912
Total Assets		**$**	**1,886,527**	$	1,817,035
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**98,374**	$	83,156
Dividends payable	**7**		**3,110**		9,166
Current tax payable			**1,757**		1,878
Current portion of long-term debt	**9**		**132,851**		71,856
			236,092		166,056
Non-current liabilities:					
Long-term debt	**9**		**540,932**		696,859
Convertible debentures – debt component			**12,264**		12,186
Deferred tax liabilities			**127,158**		135,290
			680,354		844,335
Equity:					
Share capital	**10**		**933,303**		778,448
Convertible debentures – equity component			**550**		550
Contributed surplus			**12,402**		11,597
Retained earnings			**23,826**		16,049
			970,081		806,644
Subsequent event	**16**				
Total Liabilities and Equity		**$**	**1,886,527**	$	1,817,035

The notes which begin on page 61 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on October 19, 2016, after review by the Audit Committee.

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) *(thousands, except per share amounts)*	Note	Three month periods ended September 30 2016	Three month periods ended September 30 2015	Nine month periods ended September 30 2016	Nine month periods ended September 30 2015
Revenue		**$ 258,696**	$ 304,668	**$ 777,350**	$ 926,686
Direct operating expenses		**173,689**	206,657	**526,661**	643,656
Selling and administrative expenses		**31,323**	32,476	**112,142**	106,316
Operating income before depreciation and amortization		**53,684**	65,535	**138,547**	176,714
Depreciation of property, plant and equipment		**17,675**	19,319	**53,225**	55,741
Amortization of intangible assets		**2,554**	4,722	**11,441**	14,247
Finance costs		**7,637**	9,259	**24,697**	26,791
Net unrealized foreign exchange loss (gain)	**6**	**4,964**	10,190	**(17,201)**	29,082
Other (income) expense	**13**	**(4,395)**	7,055	**(467)**	14,505
Income before income taxes		**25,249**	14,990	**66,852**	36,348
Income tax expense	**8**	**7,736**	7,682	**14,195**	25,343
Net income and total comprehensive income		**$ 17,513**	$ 7,308	**$ 52,657**	$ 11,005
Earnings per share:	**11**				
Basic		**$ 0.17**	$ 0.08	**$ 0.54**	$ 0.12
Diluted		**$ 0.17**	$ 0.08	**$ 0.54**	$ 0.12
Weighted average number of Common Shares outstanding:	**11**				
Basic		**103,654**	91,661	**97,658**	91,650
Diluted		**103,654**	91,684	**97,658**	91,710

The notes which begin on page 61 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited) (*thousands*)	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2016	**$ 778,448**	**$ 550**	**$ 11,597**	**$ 16,049**	**$ 806,644**
Total comprehensive income for the period	**—**	**—**	**—**	**52,657**	**52,657**
Common Shares issued on conversion of convertible debentures	**—**	**—**	**—**	**—**	**—**
Stock-based compensation expense	**—**	**—**	**805**	**—**	**805**
Common Shares issued on bought deal and private placement	**154,855**	**—**	**—**	**—**	**154,855**
Common Shares issued on exercise of stock options	**—**	**—**	**—**	**—**	**—**
Dividends declared to common shareholders	**—**	**—**	**—**	**(44,880)**	**(44,880)**
Balance at September 30, 2016	**$ 933,303**	**$ 550**	**$ 12,402**	**$ 23,826**	**$ 970,081**

(unaudited) (*thousands*)	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2015	$ 777,262	$ 550	$ 10,463	$ 112,668	$ 900,943
Total comprehensive income for the period	—	—	—	11,005	11,005
Common Shares issued on conversion of convertible debentures	—	—	—	—	—
Stock-based compensation expense	—	—	1,137	—	1,137
Common Shares issued on exercise of stock options	1,186	—	(336)	—	850
Dividends declared to common shareholders	—	—	—	(82,487)	(82,487)
Balance at September 30, 2015	$ 778,448	$ 550	$ 11,264	$ 41,186	$ 831,448

The notes which begin on page 61 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	Note	Nine month periods ended September 30 2016	2015
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 52,657**	$ 11,005
Adjustments for:			
Depreciation of property, plant and equipment		**53,225**	55,741
Amortization of intangible assets		**11,441**	14,247
Finance costs		**24,697**	26,791
Stock-based compensation expense		**805**	1,137
Unrealized foreign exchange loss (gain) on cross-currency swaps	**6**	**5,501**	(25,680)
Foreign exchange		**(17,168)**	41,770
Change in fair value of investments	**13**	**(71)**	15,886
Loss on sale of property, plant and equipment	**13**	**1,110**	324
Earnings from equity investments	**13**	**(1,506)**	(1,705)
Income tax expense	**8**	**14,195**	25,343
		144,886	164,859
Changes in non-cash working capital items from operating activities:			
Trade and other receivables		**(4,594)**	55,815
Inventory		**(472)**	(1,562)
Prepaid expenses		**(1,819)**	(2,434)
Accounts payable and accrued liabilities		**11,167**	(33,668)
Cash generated from operating activities		**149,168**	183,010
Income tax paid		**(21,274)**	(36,196)
Net cash from operating activities		**127,894**	146,814
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(50,936)**	(82,482)
Interest paid		**(21,768)**	(21,597)
Repayment of long-term debt and loans		**(74,283)**	(3,323)
Proceeds from bank credit facility		**35,000**	—
Repayment of bank credit facility		**(35,000)**	—
Net proceeds from Common Share issuances		**153,134**	850
Changes in non-cash working capital items from financing activities		**89**	842
Net cash from (used in) financing activities		**6,236**	(105,710)
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(3,605)**	(165,979)
Purchase of property, plant and equipment		**(16,227)**	(63,276)
Proceeds on sale of property, plant and equipment		**4,203**	5,124
Purchases of investments		**—**	(6,625)
Interest received		**1,138**	378
Other assets		**(1)**	(4,380)
Changes in non-cash working capital items from investing activities		**(85)**	(4,123)
Net cash used in investing activities		**(14,577)**	(238,881)
Change in cash and cash equivalents		**119,553**	(197,777)
Cash and cash equivalents at January 1		**147,243**	325,365
Effect of exchange rate fluctuations on cash held		**(5,534)**	12,992
Cash and cash equivalents at September 30		**$ 261,262**	$ 140,580

The notes which begin on page 61 are an integral part of these condensed interim consolidated financial statements.

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

3. Significant Accounting Policies

The accompanying Interim Financial Statements should be read in conjunction with Note 3 to Mullen Group's audited annual consolidated financial statements for the year ended December 31, 2015, (the "**Annual Financial Statements**") as the accounting policies applied by the Corporation in these Interim Financial Statements are the same as those disclosed therein.

4. Determination of Fair Values

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

September 30, 2016 Financial Instrument	Fair Value Hierarchy		Carrying Amount		Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	$	12,003	$	12,003
Derivative Financial Instruments	Level 2	$	34,448	$	34,448
Private Placement Debt	Level 2	$	670,547	$	595,887
Debentures – debt component	Level 2	$	12,264	$	12,812

5. Acquisitions

2016 Acquisitions

Motrux Inc. – On September 1, 2016, Mullen Group acquired all of the issued and outstanding shares of Motrux Inc. ("**Motrux**") for total cash consideration of $1.3 million, which includes the repayment of shareholder loans. Mullen Group recorded $0.1 million of cash used to acquire Motrux on its condensed consolidated statement of cash flows, which consists of $1.3 million of total cash consideration net of $0.3 million of cash acquired and $0.9 million allocated to the repayment of shareholder loans. Motrux is headquartered in Delta, British Columbia and provides transportation and logistics services mainly in western Canada. Mullen Group acquired Motrux as part of its strategy to invest in the transportation sector in Canada. The results from operations are integrated into the operations of Mullen Trucking L.P., whose financial results are included in the Trucking/Logistics segment.

Northern Frontier Logistics LP – On September 28, 2016, Mullen Group acquired all of the business and assets of Northern Frontier Logistics LP and Northern Frontier GP Corp. (collectively, "**Northern Frontier**"), for total cash consideration of $3.5 million. Mullen Group recorded $3.5 million of cash used to acquire the business and assets of Northern Frontier on its condensed consolidated statement of cash flows. Formerly known as Central Water & Equipment Services Ltd., Northern Frontier provides hydrostatic-testing services to the pipeline industry and midstream sector, as well as fluid transfer and water management services to construction and mine sites, municipalities and the energy sector from terminals located in Saskatoon, Saskatchewan and Sherwood Park, Alberta. Mullen Group acquired the business and assets of Northern Frontier as part of its strategy to invest in the energy sector. Northern Frontier has been integrated into the operations of Canadian Dewatering L.P., whose financial results are included in the Oilfield Services segment.

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

Due to the limited time between these acquisitions and the preparation of these Interim Financial Statements, the amount of working capital to be received, as well as the value of the assets acquired and the liabilities assumed are based upon preliminary financial information available to management as of the date of this report. The $4.8 million of total cash consideration is based upon preliminary information and is subject to change.

6. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. For the nine month period ended September 30, 2016, Mullen Group recorded a net unrealized foreign exchange (gain) loss of $(17.2) million (2015 – $29.1 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Unrealized Foreign Exchange (Gain) Loss	Nine month periods ended September 30			
	CDN. $ Equivalent			
		2016		2015
Unrealized foreign exchange (gain) loss on U.S. debt	**$**	**(22,702)**	$	54,762
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		**5,501**		(25,680)
Net unrealized foreign exchange (gain) loss	**$**	**(17,201)**	$	29,082

For the nine month period ending September 30, 2016, Mullen Group recorded an unrealized foreign exchange (gain) loss on U.S. debt of $(22.7) million (2015 - $54.8 million) as summarized in the table below:

Unrealized Foreign Exchange (Gain) Loss on U.S. Debt	Nine month periods ended September 30					
	2016			2015		
($ thousands, except exchange rate amounts)	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent
Ending – September 30	**314,000**	**1.3117**	**411,874**	314,000	1.3345	419,033
Beginning – January 1	**314,000**	**1.3840**	**434,576**	314,000	1.1601	364,271
Unrealized foreign exchange (gain) loss on U.S. debt			**(22,702)**			54,762

For the nine month period ended September 30, 2016, Mullen Group recorded an unrealized foreign exchange loss (gain) on its Cross-Currency Swaps of $5.5 million (2015 – $(25.7) 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:

Unrealized Foreign Exchange Loss (Gain) on Cross-Currency Swaps	Nine month periods ended September 30			
	2016		2015	
	U.S. $ Swaps	CDN. $ Change in Fair Value of Swaps	U.S. $ Swaps	CDN. $ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	**117,000**	**3,228**	117,000	(14,035)
Cross-Currency Swap maturing October 22, 2026	**112,000**	**2,273**	112,000	(11,645)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		**5,501**		(25,680)

7. Dividends Payable

For the four month period ended April 30, 2016, Mullen Group declared monthly dividends of $0.08 per Common Share totalling $0.32 per Common Share (2015 – $0.40 per Common Share). On April 20, 2016, the Board of Directors (the "**Board**") of Mullen Group reduced the amount of the monthly dividend to $0.03 per Common Share commencing with the declaration of the May 2016 dividend. For the nine month period ended September 30, 2016, Mullen Group declared monthly dividends totalling $0.47 per Common Share (2015 – $0.90 per Common Share). At September 30, 2016, Mullen Group had 103,654,316 Common Shares outstanding and a dividend payable of $3.1 million (December 31, 2015 – $9.2 million), which was paid on October 17, 2016. Mullen Group also declared a dividend of $0.03 per Common Share on October 18, 2016, to the holders of record at the close of business on October 31, 2016.

8. Income Taxes

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

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2016	**2015**	**2016**	**2015**
Income before income taxes	**$ 25,249**	$ 14,990	**$ 66,852**	$ 36,348
Combined statutory tax rate	**27%**	26%	**27%**	26%
Expected income tax	**6,817**	3,897	**18,050**	9,450
Add (deduct):				
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	**670**	1,325	**(2,322)**	3,781
Non-deductible (taxable) portion of the change in fair value of investments	**(589)**	962	**(10)**	2,065
Stock-based compensation expense	**63**	103	**217**	296
Increase in income tax due to changes in income tax rates	**—**	342	**—**	5,819
Other	**775**	1,053	**(1,740)**	3,932
Income tax expense	**$ 7,736**	$ 7,682	**$ 14,195**	$ 25,343

9. Long-Term Debt and Credit Facility

Mullen Group has a $75.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at September 30, 2016, no amounts were drawn on this facility. This facility does not have any financial covenants, however, Mullen Group must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has $4.7 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

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

Notes		Principal amount	Maturity	Interest Rate [1]
Series D	$	70,000 CDN.	June 30, 2018	5.76%
Series E	$	85,000 U.S.	September 27, 2017	5.90%
Series F	$	20,000 CDN.	September 27, 2017	5.47%
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.

On March 30, 2016, Mullen Group repaid $70.0 million of Series C Notes and recorded a $0.8 million expense related to Mullen Group's decision to repay the Series C Notes prior to maturity and mainly consists of the net present value of the future interest payments on such notes that would have otherwise been paid to the noteholders. This $0.8 million expense was recognized within the statement of comprehensive income.

Mullen Group's unamortized debt issuance costs of $2.3 million related to its Private Placement Debt have been netted against its carrying value at September 30, 2016 (December 31, 2015 – $2.0 million). Mullen Group has financial covenants that must be met under its Private Placement Debt agreements, which included a total debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio, as defined in such agreements. On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms (the "**Amending Agreement**") up to and including March 31, 2018 (the "**Covenant Relief Period**"). The Amending Agreement replaces the financial covenant term total debt with total net debt for financial covenant calculation purposes. During the Covenant Relief Period, total net debt is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and less

any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. Mullen Group is in compliance with all the Private Placement Debt financial covenants. Mullen Group also had debt comprised of various financing loans, which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

The following table summarizes the Corporation's total debt:

	September 30, 2016	December 31, 2015
Current liabilities:		
Private Placement Debt	**$ 131,495**	$ 70,000
Various Financing Loans	**1,356**	1,856
Bank Credit Facility	**—**	—
	132,851	71,856
Non-current liabilities:		
Private Placement Debt	**539,052**	693,559
Various Financing Loans	**1,880**	3,300
	540,932	696,859
	$ 673,783	$ 768,715

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

			September 30, 2016		December 31, 2015	
	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	$	$	$
Bank Credit Facility	—	Variable	**—**	**—**	—	—
Private Placement Debt	2017 - 2026	3.84% - 5.90%	**672,874**	**670,547**	765,576	763,559
Various Financing Loans	2016 - 2018	3.63% - 7.68%	**3,236**	**3,236**	5,156	5,156
			676,110	**673,783**	770,732	768,715

10. 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 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.

On May 17, 2016, the Corporation closed a bought deal public offering (the "**Offering**") and a non-brokered private placement (the "**Private Placement**") by issuing 11,993,250 Common Shares at a price of $13.30 per Common Share for gross proceeds of $159.5 million. Share issuance costs and the related deferred tax associated with the issuance was $6.4 million and $1.7 million, respectively.

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

	# of Common Shares	
	2016	2015
Issued Common Shares at January 1	**91,661,066**	91,610,709
Common Shares issued on the Offering and Private Placement	**11,993,250**	—
Stock options exercised	**—**	50,357
Common Shares issued on conversion of Debentures	**—**	—
Issued Common Shares at September 30	**103,654,316**	91,661,066

11. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three and nine month periods ended September 30, 2016, were $17.5 million and $52.7 million (2015 – $7.3 million and $11.0 million), respectively. The weighted average number of Common Shares outstanding for the three and nine month periods ended September 30, 2016 and 2015 was calculated as follows:

		Three month periods ended September 30		Nine month periods ended September 30	
	Note	2016	2015	2016	2015
Issued Common Shares at beginning of period	10	**103,654,316**	91,657,289	**91,661,066**	91,610,709
Effect of Common Shares issued		**—**	—	**5,996,625**	—
Effect of stock options exercised		**—**	3,395	**—**	39,285
Effect of Debentures converted		**—**	—	**—**	—
Weighted average number of Common Shares at end of period – basic		**103,654,316**	91,660,684	**97,657,691**	91,649,994

(b) Diluted Earnings per Share

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2016	2015	2016	2015
Net income	**$ 17,513**	$ 7,308	**$ 52,657**	$ 11,005
Effect on finance costs from conversion of Debentures (net of tax)	**—**	—	**—**	—
Net income – adjusted	**$ 17,513**	$ 7,308	**$ 52,657**	$ 11,005

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2016	2015	2016	2015
Weighted average number of Common Shares – basic	**103,654,316**	91,660,684	**97,657,691**	91,649,994
Effect of "in the money" stock options	**—**	23,024	**—**	60,473
Effect of conversion of Debentures	**—**	—	**—**	—
Weighted average number of Common Shares at end of period – diluted	**103,654,316**	91,683,708	**97,657,691**	91,710,467

For the three and nine month periods ended September 30, 2016, 2,157,500 stock options (2015 – 2,171,688 and 1,781,688, respectively) 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 September 30, 2016 and 2015. For the three and nine month periods ended September 30, 2016 and 2015, the 1,159,874 Common Shares, that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**"), were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive.

12. Seasonality of Operations

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

A significant portion of the operations within the Oilfield Services segment relates to the moving of heavy equipment, drilling rigs and drilling supplies such as oilfield fluids, tubulars and drilling mud and providing services such as conductor pipe-setting, core drilling and case setting, in northern and western Canada. Earnings are influenced by the seasonal activity pattern of western Canada's oil and natural gas exploration industry whereby activity

usually peaks in the winter months and declines during the spring when wet weather and the spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Additionally, certain oil and natural gas producing areas are only accessible in the winter months because the ground surrounding the drilling sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in the activity levels of exploration and production companies and corresponding declines in the demand for the goods and services provided by Mullen Group. As a result, the demand for these services is traditionally highest in the first quarter and lowest in the second quarter.

13. Other (Income) Expense

	Three month periods ended September 30		Nine month periods ended September 30	
	2016	**2015**	**2016**	**2015**
Change in fair value of investments	**$ (4,359)**	$ 7,405	**$ (71)**	$ 15,886
Loss on sale of property, plant and equipment	**325**	305	**1,110**	324
Earnings from equity investments	**(361)**	(655)	**(1,506)**	(1,705)
	$ (4,395)	$ 7,055	**$ (467)**	$ 14,505

14. Operating Segments

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

				Intersegment eliminations		
Three month period ended September 30, 2016	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	**$ 173,330**	**$ 86,763**	**$ 1,286**	**$ (1,056)**	**$ (1,627)**	**$ 258,696**
Income (loss) before income taxes	**20,662**	**5,689**	**(1,102)**	**—**	**—**	**25,249**
Depreciation of property, plant and equipment	**5,288**	**10,798**	**1,589**	**—**	**—**	**17,675**
Amortization of intangible assets	**1,287**	**1,267**	**—**	**—**	**—**	**2,554**
Capital expenditures [1]	**3,574**	**941**	**381**	**—**	**(188)**	**4,708**
Total assets at September 30, 2016	**$ 480,799**	**$ 606,441**	**$ 799,287**	**$ —**	**$ —**	**$ 1,886,527**

[1] Excludes business acquisitions

				Intersegment eliminations		
Three month period ended September 30, 2015	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	$ 183,102	$ 121,976	$ 534	$ (559)	$ (385)	$ 304,668
Income (loss) before income taxes	22,461	9,209	(16,680)	—	—	14,990
Depreciation of property, plant and equipment	5,282	12,418	1,619	—	—	19,319
Amortization of intangible assets	1,926	2,796	—	—	—	4,722
Capital expenditures [1]	8,773	2,329	2,957	—	(59)	14,000
Total assets at December 31, 2015	$ 472,159	$ 654,344	$ 690,532	$ —	$ —	$ 1,817,035

[1] Excludes business acquisitions

				Intersegment eliminations		
Nine month period ended September 30, 2016	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	**$ 516,531**	**$ 266,077**	**$ 2,238**	**$ (4,503)**	**$ (2,993)**	**$ 777,350**
Income before income taxes	**57,353**	**7,991**	**1,508**	**—**	**—**	**66,852**
Depreciation of property, plant and equipment	**15,487**	**33,034**	**4,704**	**—**	**—**	**53,225**
Amortization of intangible assets	**5,021**	**6,420**	**—**	**—**	**—**	**11,441**
Capital expenditures [1]	**14,218**	**1,827**	**521**	**—**	**(339)**	**16,227**
Total assets at September 30, 2016	**$ 480,799**	**$ 606,441**	**$ 799,287**	**$ —**	**$ —**	**$ 1,886,527**

[1] Excludes business acquisitions

				Intersegment eliminations		
Nine month period ended September 30, 2015	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	$ 537,350	$ 391,423	$ 2,011	$ (2,450)	$ (1,648)	$ 926,686
Income (loss) before income taxes	55,334	26,870	(45,856)	—	—	36,348
Depreciation of property, plant and equipment	15,178	35,808	4,755	—	—	55,741
Amortization of intangible assets	5,984	8,263	—	—	—	14,247
Capital expenditures [1]	22,890	11,721	28,727	—	(62)	63,276
Total assets at December 31, 2015	$ 472,159	$ 654,344	$ 690,532	$ —	$ —	$ 1,817,035

[1] Excludes business acquisitions

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

15. Related Party Transactions

On May 17, 2016, related parties of Mullen Group participated in the Private Placement by purchasing 422,000 Common Shares at a price of $13.30 per Common Share for gross proceeds of approximately $5.6 million.

16. Subsequent Event

Caneda Transport Inc. – On October 1, 2016, Mullen Group acquired all of the issued and outstanding shares of Caneda Transport Inc. and affiliated companies ("**Caneda**"). Concurrent to the closing of this transaction, Mullen Group also entered into an agreement to acquire the Calgary, Alberta facility operated by Caneda. Caneda is a privately held company headquartered in Calgary, Alberta and primarily provides LTL services with terminals in Calgary, Alberta; Mira Loma, California and Mississauga, Ontario. Mullen Group acquired Caneda as part of its strategy to invest in the transportation sector in North America. The results from Caneda's operations will be included in the Trucking/Logistics segment. Due to the limited time between the acquisition of Caneda and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed on the acquisition were not available to management as of the date of this report.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

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

Greg Bay, CFA
Lead Director

Alan D. Archibald
Director

Dennis J. Hoffman, FCPA, FCA, ICD.D
Director

Stephen H. Lockwood, Q.C.
Director

David E. Mullen
Director

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

P. Stephen Clark, CPA, CMA, ICD.D
Chief Financial Officer

Richard J. Maloney
Senior Vice President

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

CORPORATE OFFICE

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LAWYERS

Burnet, Duckworth & Palmer LLP
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AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange
Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

Computershare Trust Company of Canada
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ONLINE INFORMATION

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