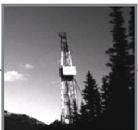




Mullen Group
Ltd.

**ANNUAL
FINANCIAL REVIEW**

2014



WE THINK **tomorrow**[™]

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A"), dated February 11, 2015, has been prepared by Management of Mullen Group Ltd. ("Mullen Group" and/ or the "Corporation") for the fiscal year ended December 31, 2014, and should be read in conjunction with the audited annual consolidated financial statements for the fiscal year ended December 31, 2014 (the "Annual Financial Statements"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information on Mullen Group, including the Annual Information Form dated February 11, 2015, are available on SEDAR at www.sedar.com and at www.mullen-group.com. Such documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Annual Financial Statements were reviewed by Mullen Group's Audit Committee on February 10, 2015, and approved by the Board of Directors (the "Board") on February 11, 2015.

ACCOUNTING PRINCIPLES

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

ADVISORY:

Forward-looking statements - This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain economic risks, most important of which are a slowdown in the general economy or reduced oil or natural gas drilling; prevailing interest rates, currency exchange rates, customer relationships, labour disruption and driver retention, accidents and costs of liability insurance and fuel prices. 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 "Principle Risks and Uncertainties" starting on page 56 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 69 of this MD&A.

Non-GAAP Terms - Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These financial performance measures ("Non-GAAP Terms") are not recognized financial terms under Canadian generally accepted accounting principles ("Canadian GAAP"). For publicly accountable enterprises, such as Mullen Group, Canadian GAAP is governed by principles based on IFRS and interpretations of IFRIC. Management believes these Non-GAAP Terms are useful supplemental measures. These Non-GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities. Specifically, operating income¹, net income – adjusted¹, earnings per share – adjusted¹, net capital expenditures¹, net debt¹ and cash flow per share¹ are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the reader's reference, the definition, calculation and reconciliation of Non-GAAP Terms are provided in the "Glossary of Terms and Reconciliation of Non-GAAP Terms" section of this MD&A. The Non-GAAP Terms should not be considered in isolation or as a substitute for measures prepared in accordance with Canadian GAAP. Investors are cautioned that these indicators should not replace the 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.

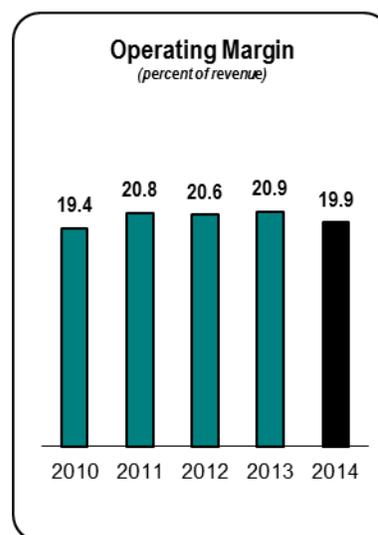
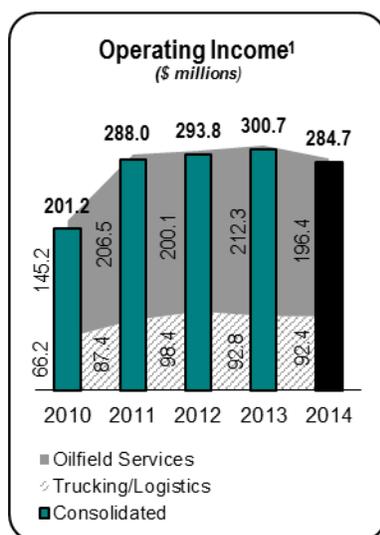
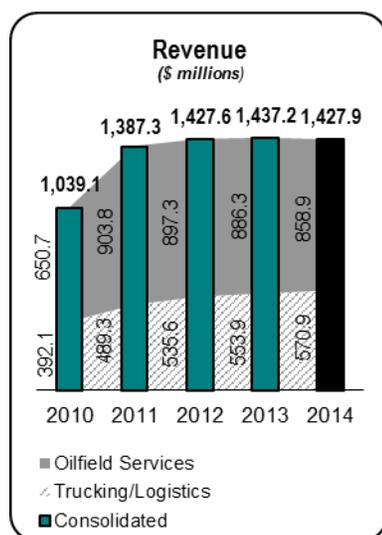
¹ Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

FINANCIAL HIGHLIGHTS - CONSOLIDATED

PERFORMANCE:

(\$ millions, except share price and per share amounts)	Years ended December 31		
	2014	2013	2012
Financial Results			
Revenue	\$ 1,427.9	\$ 1,437.2	\$ 1,427.6
Operating income ¹	284.7	300.7	293.8
Net unrealized foreign exchange loss (gain)	15.5	16.2	(5.2)
Decrease (increase) in fair value of investments	20.7	(20.9)	6.7
Net income	94.6	143.3	130.9
Net income – adjusted ¹	131.1	141.0	133.0
Net cash from operating activities	248.6	214.4	279.9
Cash dividends declared to common shareholders	109.7	107.9	84.3
Financial Position			
Cash and cash equivalents	\$ 325.4	\$ 58.2	\$ 122.8
Long-term debt (includes the current portion thereof and the debt component of Debentures)	705.0	425.6	434.1
Total assets	1,862.1	1,587.6	1,555.9
Share Information			
Cash dividends declared per Common Share	\$ 1.20	\$ 1.20	\$ 1.00
Earnings per share – basic	\$ 1.04	\$ 1.60	\$ 1.58
Earnings per share – diluted	\$ 1.02	\$ 1.57	\$ 1.52
Earnings per share – adjusted ¹	\$ 1.44	\$ 1.57	\$ 1.60
Share price – December 31	\$ 21.31	\$ 28.39	\$ 20.90
Other Information			
Net capital expenditures ¹	\$ 69.4	\$ 119.4	\$ 103.2
Acquisitions	\$ 28.6	\$ 15.7	\$ 5.8

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



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

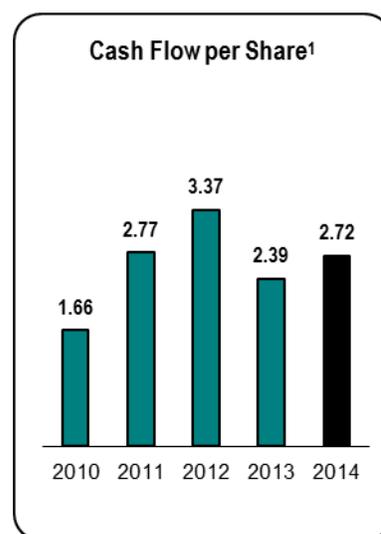
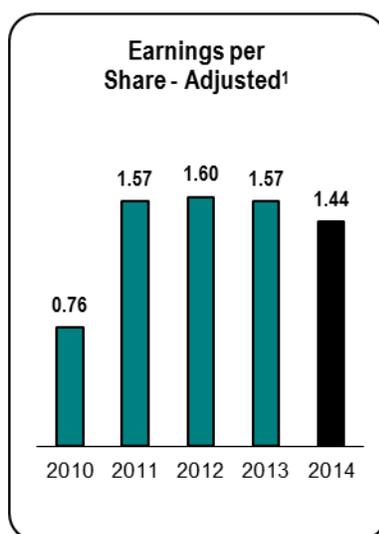
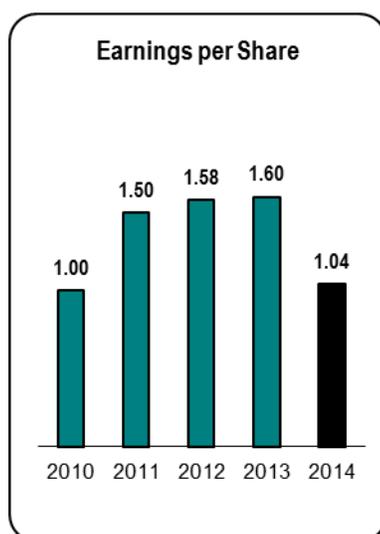


POSITION:

- Working capital: \$460.5 million (includes \$325.4 million of cash and cash equivalents)
- Net debt¹: \$244.5 million (long-term debt plus the debt component of Debentures less working capital)
- Net debt¹ to operating income¹: 0.86:1

PROGRESS:

- Strengthened the balance sheet:
 - Issued \$400.0 million (U.S. \$229.0 million and CDN. \$171.0 million) of senior unsecured notes having an average term of 11 years and a weighted average fixed interest rate of approximately 3.95 percent per annum.
 - At our sole discretion, we repaid the Series A (U.S. \$100.0 million) and Series B (U.S. \$50.0 million) Notes, having a weighted average fixed interest rate of 6.32 percent, which were scheduled to mature in 2016 and 2018, respectively.
 - Entered into cross-currency swaps totalling U.S. \$229.0 million to mitigate the risk of foreign currency rate fluctuations on our new private placement debt.
 - Sold non-core real estate in Edmonton for approximately \$30.7 million, which resulted in a gain of \$10.1 million.
- Closed the acquisition of Gardewine Group Limited Partnership on January 9, 2015 for total cash consideration of approximately \$172.0 million.
- Completed two acquisitions in 2014 namely, Recon Utility Search N.A. Inc. and Bernard Transport Ltd. for total cash consideration of approximately \$28.6 million.
- Closed a 30.0 percent equity investment in Kriska Transportation Group Limited, a new growth oriented transportation and logistics company in Ontario.
- Gross capital expenditures of \$125.7 million (net capital expenditures¹ were \$69.4 million) of which \$85.2 million related to operating equipment and \$40.5 million related to growing our real estate investment portfolio.



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

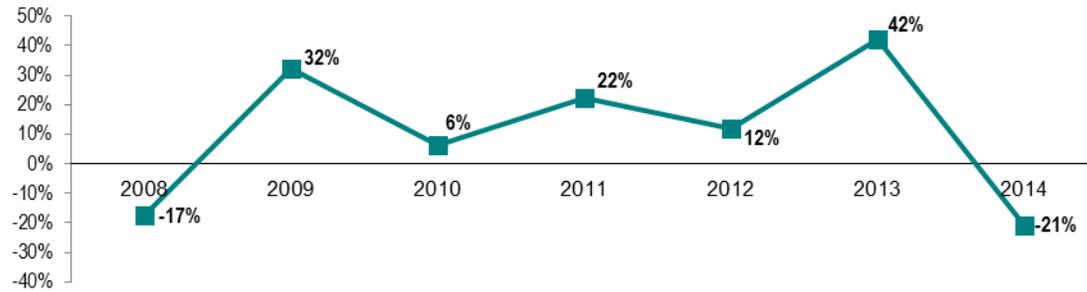


SHAREHOLDER INFORMATION

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

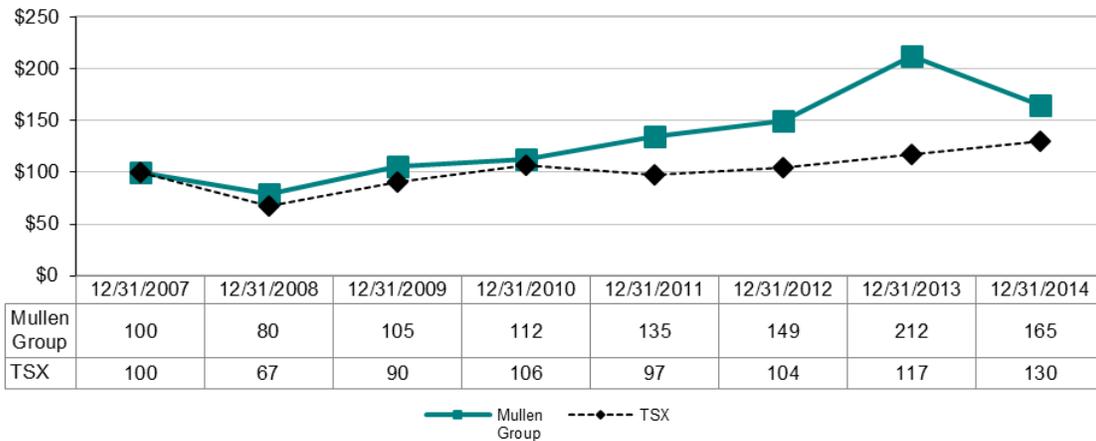
Mullen Group's Total Shareholder Return consists of a combination of its annual dividend and the variance of its share price on an ongoing basis.

Seven Year - Total Shareholder Return



The following table and graph illustrate the cumulative return of our Common Shares at the end of each financial year, assuming an initial investment of \$100 on December 31, 2007, compared to the S&P/TSX Composite Total Return Index, assuming the reinvestment of all declared dividends and distributions where applicable.

Performance Chart



SEVEN YEAR SELECTED FINANCIAL DATA

Consolidated

Years ended December 31 (\$ thousands) (unaudited)	2014	2013	2012	2011	2010	2009*	2008*
	\$	\$	\$	\$	\$	\$	\$
Revenue	1,427,851	1,437,166	1,427,640	1,387,293	1,039,119	978,046	1,314,224
Expenses							
Direct operating expenses	985,163	983,382	983,535	951,825	709,443	662,522	884,911
Selling and administrative expenses	157,947	153,101	150,298	147,493	128,526	123,906	155,987
Operating income ¹	284,741	300,683	293,807	287,975	201,150	191,618	273,326
Depreciation and amortization	85,161	86,242	83,669	80,818	76,474	80,184	79,103
Finance costs	47,370 ²	26,305	32,897	36,279	38,413	36,163	28,146
Net unrealized foreign exchange loss (gain)	15,570	16,144	(5,194)	6,345	(14,100)	(39,950)	49,314
Other (income) expense	4,897	(20,710)	5,668	5,335	(5,282)	3,553	(554)
Impairment of goodwill	—	—	3,000	—	—	—	—
Gain on contingent consideration	—	—	(2,000)	—	—	—	—
Income before income taxes	131,743	192,702	175,767	159,198	105,645	111,668	117,317
Income tax expense	37,110	49,407	44,858	39,765	26,340	20,858	4,316
Net income	94,633	143,295	130,909	119,433	79,305	90,810	113,001

* Prepared in accordance with Canadian GAAP prior to the adoption of IFRS. Certain comparative amounts have been reclassified to conform with the current year's presentation.

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

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

Segmented Information

Years ended December 31 (\$ thousands) (unaudited)	2014	2013	2012	2011	2010	2009*	2008*
	\$	\$	\$	\$	\$	\$	\$
Oilfield Services Segment							
Revenue	858,893	886,296	897,274	903,768	650,671	612,599	835,176
Direct operating expenses	578,236	590,964	613,214	610,509	431,886	399,758	543,027
Selling and administrative expenses	84,248	83,026	83,910	86,809	73,557	73,409	95,740
Operating income ¹	196,409	212,306	200,150	206,450	145,228	139,432	196,409
Operating income – margin ²	22.9%	24.0%	22.3%	22.8%	22.3%	22.8%	23.5%
Trucking/Logistics Segment							
Revenue	570,892	553,940	535,562	489,304	392,056	372,120	485,158
Direct operating expenses	414,078	400,972	381,027	352,521	284,348	272,220	354,714
Selling and administrative expenses	64,410	60,128	56,089	49,391	41,513	38,337	47,277
Operating income ¹	92,404	92,840	98,446	87,392	66,195	61,563	83,167
Operating income – margin ²	16.2%	16.8%	18.4%	17.9%	16.9%	16.5%	17.1%

* Prepared in accordance with Canadian GAAP prior to the adoption of IFRS. Certain comparative amounts have been reclassified to conform with the current year's presentation.

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

² Operating income – margin was calculated by dividing operating income by revenue.



Years ended December 31 (\$ thousands) (unaudited)							
	2014	2013	2012	2011	2010*	2009**	2008**
Ratios – Operating							
Return on equity ⁽¹⁾	10.5%	16.6%	17.1%	17.8%	12.6%	8.0%	10.1%
Gross margin – percentage of revenue ⁽²⁾	31.0%	31.6%	31.1%	31.4%	31.7%	32.3%	32.7%
Selling and administrative expenses – percent of revenue	11.1%	10.7%	10.5%	10.6%	12.4%	12.7%	11.9%
Operating income – margin ⁽³⁾	19.9%	20.9%	20.6%	20.8%	19.4%	19.7%	21.0%
Operating ratio ⁽⁴⁾	86.4%	83.7%	85.7%	85.5%	87.5%	89.0%	85.7%
Financial Position							
Acid test ⁽⁵⁾	4.16:1	2.37:1	2.30:1	2.02:1	2.75:1	2.47:1	1.93:1
Property, plant and equipment	\$911,699	\$903,256	\$843,318	\$798,362	\$727,128	\$613,281	\$663,088
Total assets	\$1,862,137	\$1,587,609	\$1,555,904	\$1,527,137	\$1,403,837	\$1,926,887	\$1,882,077
Long-term debt (including current portion)	\$704,992	\$425,556	\$434,058	\$507,482	\$517,096	\$528,803	\$521,445
Equity	\$900,943	\$900,112	\$827,125	\$704,299	\$634,815	\$1,167,231	\$1,106,936
Debt-to-equity ratio ⁽⁶⁾	0.78:1	0.47:1	0.52:1	0.72:1	0.81:1	0.45:1	0.47:1
Funds from operations ⁽⁷⁾	—	—	—	—	—	\$120,983	\$246,148
Net cash from operating activities	\$248,585	\$214,401	\$279,854	\$221,410	\$131,857	—	—
Share Data							
Funds from operations per share ⁽⁸⁾	—	—	—	—	—	\$1.50	\$3.06
Net cash from operating activities per share	\$2.72	\$2.39	\$3.37	\$2.77	\$1.66	—	—
Book value per share ⁽⁹⁾	\$9.83	\$9.93	\$9.43	\$8.71	\$8.06	\$14.48	\$13.73
Earnings per share (basic) ⁽¹⁰⁾	\$1.04	\$1.60	\$1.58	\$1.50	\$1.00	\$1.13	\$1.40
Price/earnings ratio ⁽¹¹⁾	20.5	17.7	13.2	13.1	16.9	14.5	9.1
Weighted number of shares outstanding (thousands)	91,377	89,764	82,961	79,885	79,411	80,605	80,492
Total shares outstanding (thousands)	91,611	90,662	87,668	80,838	78,718	80,605	80,605

* In preparing its opening IFRS consolidated statement of financial position as at January 1, 2010, Mullen Group recognized a \$545.5 million reduction in retained earnings. This \$545.5 million reduction resulted from a \$640.3 million impairment of goodwill (net of tax) less a \$94.8 million deemed fair value cost adjustment to land (net of tax).

** Prepared in accordance with Canadian GAAP prior to the adoption of IFRS.

NOTES:

(1) Return on equity was calculated by dividing net income by average shareholders' equity.

(2) Gross margin was calculated by dividing revenue less direct operating costs by revenue.

(3) Operating income – margin was calculated by dividing operating income by revenue.

(4) Operating ratio was calculated by dividing the total cost before taxes, interest, earnings from equity investments and net unrealized gains and losses on foreign exchange, as a percentage of revenue.

(5) Acid test ratio was calculated by dividing cash plus receivables by current liabilities.

(6) Debt-to-equity ratio was calculated by dividing total debt by shareholders' equity.

(7) Funds from operations was calculated as funds from operations before the effect of changes in non-cash working capital items from operating activities.

(8) Funds from operations per share was calculated by dividing funds from operations by the weighted average number of shares outstanding.

(9) Book value per share was calculated by dividing shareholders' equity by the number of shares outstanding.

(10) Earnings per share was calculated by dividing net income by the weighted average number of shares outstanding.

(11) Price/earnings ratio was calculated by dividing the year-end closing price by earnings per share.



EXECUTIVE SUMMARY

A summary of Mullen Group's financial and operating results for the quarter and year ended December 31, 2014, with comparisons to the same period last year is set forth below.

For the three month period ended December 31, 2014, Mullen Group generated revenue of \$345.2 million, a decrease of \$22.2 million or 6.0 percent as compared to \$367.4 million in 2013. This decrease in revenue was directly attributable to the Oilfield Services segment, where revenue declined by \$26.5 million, or 11.7 percent, to \$199.6 million as compared to \$226.1 million in the same period one year earlier. The decrease was due to lower demand for services related to large diameter pipeline construction projects and from lower demand for services generated by those Operating Entities involved in the transportation of fluids and servicing of wells, predominately within the heavy oil region of Alberta. Revenue was also negatively impacted by a reduction in revenue from those Operating Entities most directly tied to oil and natural gas drilling activity in western Canada and from lower demand for core drilling services as compared to last year. These decreases were offset by strong demand for dewatering services and from the incremental revenue generated from acquiring the business of Recon Utility Search N.A. Inc. Revenue in the Trucking/Logistics segment increased by \$4.2 million, or 3.0 percent, to \$146.1 million as compared to \$141.9 million in the same period one year earlier. This increase was due to increased demand for our general freight services as well as \$1.5 million of incremental revenue resulting from the acquisition of Bernard Transport Ltd. ("**Bernard**"). These increases were offset by lower demand for heavy haul freight services in western Canada as this segment continues to operate in a competitive pricing environment and a decline in revenue due to Mill Creek Motor Freight L.P.'s ("**Mill Creek**") financial results no longer being consolidated by Mullen Group as of December 1, 2014.

Operating income¹ for the fourth quarter was \$64.9 million, a decrease of \$6.2 million or 8.7 percent over the same period in 2013. The decrease of \$6.2 million was primarily attributable to the Oilfield Services segment that experienced a \$9.4 million decrease in operating income¹. This \$9.4 million decrease was mainly due to intense competition and pricing pressures in a number of markets combined with the decline in large diameter pipeline construction projects. The declines in the Oilfield Services segment were offset by gains of \$2.3 million in the Trucking/Logistics segment, as well as a reduction in Corporate costs that fell by \$0.9 million on a year over year basis. As a percentage of consolidated revenue, operating income¹ decreased to 18.8 percent as compared to 19.3 percent in 2013.

For the three month period ended December 31, 2014, Mullen Group generated net income of \$22.2 million or \$0.25 per share, an increase of \$1.9 million, or 9.4 percent, compared to \$20.3 million or \$0.22 per share in 2013. The \$1.9 million increase in net income was mainly attributable to a \$10.8 million gain on sale of Mill Creek, a \$9.0 million gain on sale of property, plant and equipment and a \$3.3 million positive variance in net unrealized foreign exchange. These increases were partially offset by a \$13.8 million negative variance in the fair value of investments and a \$6.2 million decrease in operating income¹. Mullen Group's net income – adjusted¹ and earnings per share – adjusted¹ eliminates the impact of the one-time expense related to the prepayment of the Series A and Series B Notes, the net unrealized foreign exchange gains and losses, the gain on sale of Mill Creek and the change in fair value of investments resulted in net income – adjusted¹ of \$32.4 million and earnings per share – adjusted¹ of \$0.36 for 2014 as compared to \$31.5 million and \$0.35 per share in 2013, respectively. These adjustments more clearly reflect earnings from an operating perspective.

Our operating results in the fourth quarter reflect the challenges faced by the oil and gas industry in North America. The virtual collapse in crude oil and natural gas pricing, that began in earnest in September 2014, negatively impacts producers' cash flow and investment activity, including capital projects as well as drilling programs. Lower activity levels accompanied by intense price competition are difficult challenges to overcome in the short term. Our fourth quarter results reflect a slowdown in our Oilfield Services segment.

For the year ended December 31, 2014, Mullen Group generated revenue of \$1,427.9 million, a decrease of \$9.3 million or 0.6 percent as compared to \$1,437.2 million in 2013. This decrease was due to a decline in revenue in the Oilfield Services segment, which was offset by an increase in revenue in the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by \$27.4 million, or 3.1 percent, to \$858.9 million as compared to \$886.3 million in 2013. This decrease was primarily due to a \$10.1 million decline in revenue as a result of fewer large diameter pipeline construction projects and a \$10.2 million decline in revenue in those Operating Entities involved in the transportation of fluids and the servicing of wells. Revenue in the Trucking/Logistics segment increased by \$17.0 million, or 3.1 percent, to \$570.9 million from \$553.9 million in the same period one year earlier. This increase was largely due to the \$16.8 million of incremental revenue generated by the acquisition of Jay's Transportation Group Ltd. and Bernard, as well as a \$3.3 million increase in fuel surcharge revenue. These increases were partially offset by decreased demand for over-

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



dimensional and heavy haul freight services, construction related services in northern Manitoba and from a decline in revenue due to Mill Creek's financial results no longer being consolidated by Mullen Group as of December 1, 2014.

In 2014 Mullen Group generated operating income¹ of \$284.7 million, a decrease of \$16.0 million or 5.3 percent over the \$300.7 million generated in 2013. The decrease of \$16.0 million was mainly due to the Oilfield Services segment that experienced a \$15.9 million decrease in operating income¹. The Trucking/Logistics segment experienced a \$0.4 million decrease in operating income¹ while Corporate costs declined by \$0.3 million on a year over year basis. As a percentage of revenue, operating income¹ decreased to 19.9 percent as compared to 20.9 percent in 2013. This 1.0 percent decrease in operating margin was mainly due to a generally more competitive environment that intensified in the second half of the year.

In 2014 Mullen Group generated net income of \$94.6 million, or \$1.04 per share, a decrease of \$48.7 million or 34.0 percent, as compared to \$143.3 million or \$1.60 per share in 2013. The \$48.7 million decrease in net income was mainly attributable to a \$41.6 million negative variance in the fair value of investments, a \$21.1 million increase in finance costs, which resulted from the one-time expense related to the prepayment of the Series A and Series B Notes and a \$16.0 million decrease in operating income¹. These decreases were somewhat offset by a \$10.8 million gain on sale of Mill Creek, a \$12.3 million reduction of income taxes and a \$5.6 million increase in gain on sale of property, plant and equipment. Mullen Group's net income – adjusted¹ and earnings per share – adjusted¹ eliminates the impact of the one-time expense related to the prepayment of the Series A and Series B Notes, the net unrealized foreign exchange gains and losses, the gain on sale of Mill Creek and the change in fair value of investments resulted in net income – adjusted¹ of \$131.1 million and earnings per share – adjusted¹ of \$1.44 for 2014 as compared to \$141.0 million and \$1.57 per share in 2013, respectively. Net income – adjusted¹ and earnings per share – adjusted¹ more accurately reflect the operating performance of Mullen Group.

During 2014 Mullen Group strengthened its balance sheet by issuing \$400.0 million (CDN. \$171.0 million and U.S. \$229.0 million) of senior unsecured notes having an average term of 11 years and a weighted average fixed interest rate of approximately 3.95 percent per annum (interest payable semi-annually). At our sole discretion, Mullen Group used a portion of these proceeds to repay the holders of its Series A (U.S. \$100.0 million) and Series B (U.S. \$50.0 million) Notes having a weighted average fixed interest rate of 6.32 percent, which were scheduled to mature in 2016 and 2018, respectively. To mitigate the risk of foreign currency fluctuations on our new debt, Mullen Group entered into two cross-currency swaps to swap the principal portion of the Series G (U.S. \$117.0 million) and Series H (U.S. \$112.0 million) Notes into Canadian dollars at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 24, 2026, respectively. At December 31, 2014, Mullen Group had \$460.5 million of working capital which included \$325.4 million of cash and cash equivalents and \$244.5 million of net debt. During 2014, Mullen Group generated net cash from operations of \$248.6 million which was used, among other things, to pay dividends of \$109.6 million, incur net capital expenditures¹ of \$69.4 million, fund acquisitions of \$28.6 million and pay interest obligations of \$24.4 million. On January 9, 2015, Mullen Group acquired Gardewine Group Limited Partnership in an all cash transaction for total consideration of \$172.0 million.

The two pillars of our strategic plan – maintaining a strong balance sheet and diversification through investing in both the oilfield sector as well as the trucking and logistics segment of the economy – have always been important elements to our success spanning over six decades. With the oil and gas industry in the midst of what will most likely be a severe cyclical downturn, Mullen Group will allocate capital and pursue opportunities leveraged to the general economy. Our previously announced acquisitions are examples of how we are always looking at minimizing risk not just maximizing profitability in the short term. We fully expect 2015 will be a challenging year for anyone and any company involved in Canada's oil and gas industry, including Mullen Group. However, we are diversified and we have a strong balance sheet with cash reserves of over \$153.0 million and \$75.0 million of unutilized bank lines, funds we will use to grow our business as strategic opportunities arise. We prepared for this downturn in 2014 and now we can begin planning for the future.

It will not come as a surprise to our shareholders that the collapse in crude oil and natural gas prices has severely impacted cash flows of oil and gas producers – our customers. In response they have reduced capital investments and drilling activity much quicker than most service industry observers envisioned just a few months ago. As such we expect the financial performance of the majority of the Operating Entities in our Oilfield Services segment to be well below prior year levels, a trend that will continue until these commodity prices rise from today's unsustainable levels.

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



OUTLOOK

2015 will be a challenging year for the Mullen Group, in spite of our strong portfolio of Operating Entities, primarily due to the challenges facing the oil and gas industry, a significant component of Mullen Group's overall business. The industry is in the midst of another cyclical turn, as such shareholders should not expect our Oilfield Services segment to generate results or perform at levels of the past few years. But Mullen Group is a diversified company with the balance sheet to not only withstand difficult markets but also to take advantage of opportunities. Our Trucking/Logistics segment will grow in 2015 as the result of the acquisition of Gardewine Group Limited Partnership in early January. With this acquisition we expect the Trucking/Logistics segment to generate approximately 50 percent of Mullen Group's revenue for fiscal 2015 and an increasing proportionate share of operating profitability as compared to prior year levels.

Better Days Will Return – "one just needs to be both prepared and patient!"

The collapse in crude oil and natural gas prices will severely cut into oil and gas producers' cash flow forcing nearly every producer to reduce capital investments and new drilling activity. These activities are the primary sources of demand for the oil and gas service sector, as such we expect the majority of our Operating Entities in our Oilfield Services segment to be negatively impacted. In fact the activity levels in the first quarter, a traditionally very strong period for the oil and gas service industry, are substantially below prior year levels, a trend we expect to continue until oil and natural gas prices rise to more sustainable levels. We have already implemented a number of steps to ensure we minimize the costs associated with declining revenue and pricing pressures, including job layoffs, job sharing and the temporary decommissioning of equipment. We have taken these very difficult decisions in lieu of working at unrealistic prices, preferring to let undisciplined competitors work for what we believe are unsustainable price levels. The duration of the downturn is unknown at this time, as such we must be prepared for a very challenging year. However, it is our view that the low commodity pricing environment will not last indefinitely, principally due to the nature of the oil and gas industry. The industry must invest to replace declining production, which begins once drilling activity declines. Furthermore, we believe that many of our competitors expanded aggressively over the last couple of years and will be under severe pressure from a profitability and a debt leverage perspective. We would not be surprised to see competitors fail given the current operating environment. These two factors – commodity prices recover to more sustainable levels leading to increased investment activity, accompanied by a few competitors failing – will return the industry and our Operating Entities leveraged to the energy sector back to a more sustainable level and traditional financial results.

There is a Bright Side – "someone loses, someone benefits."

Lower commodity pricing is a problem for those leveraged to the commodity industry. But to consumers, lower fuel and energy costs have the same effect as a "tax cut". The majority of Canadians are beneficiaries of the collapse in commodity prices and for this reason we are reasonably optimistic that our Trucking/Logistics segment, and in particular the Gardewine Group will have a solid year. In addition, we will be working closely with all of our Operating Entities in the segment to maximize synergies and operating performance.

Balance Sheet Strength

We enter 2015 with a well-structured and strong balance sheet, including \$153.4 million of cash, post the Gardewine Group Limited Partnership acquisition, which we intend to utilize as opportunities arise. However, as shareholders have come to expect, Mullen Group will not grow for the sake of growth. Acquisitions must meet our strategic goals and financial thresholds. Our capital plans for 2015 will be focused on expanding our Trucking/Logistics Operating Entities, acquiring operating facilities to replace current leases and completing the state-of-the-art transload facility in Edmonton, Alberta. These initiatives will require an investment of up to \$80.0 million.

We believe that the current annual dividend of \$1.20 per share is sustainable given Mullen Group's diversified business model and strong balance sheet. However, this is predicated on our belief that the current operating environment in the Oilfield Services segment normalizes later in the year. The Board will continue to monitor events to ensure the overall health of Mullen Group is not compromised.



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 "Operating Entities"), Mullen Group provides a wide range of specialized transportation and related services to the oil and natural gas industry in western Canada and is one of the leading suppliers of trucking and logistics services in Canada – two sectors of the economy in which strong business relationships and industry leadership have been developed.

Objective – Maximize Shareholder Value

Mullen Group strives to maximize the overall returns to shareholders by focusing on the following strategies:

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

Focused Growth

Mullen Group's approach to achieving the maximum overall returns to shareholders is based upon the following strategic components:

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

Since going public in 1993, Mullen Group, and its predecessors the Mullen Group Income Fund and Mullen Transportation Inc., have grown annual revenues from \$72.6 million in 1993 to approximately \$1.4 billion in 2014. During this period over 49 acquisitions have been completed.

Return Free Cash to Shareholders

Mullen Group's business generates cash in excess of its operating and financing requirements, funds that are being returned to shareholders through dividends or reinvested to grow the business, subject to Board approval.

During 2014 Mullen Group paid annual dividends of \$1.20 (\$0.10 paid per month) per Common Share, which is consistent with the \$1.20 per Common Share paid (\$0.10 paid per month) in 2013. On December 17, 2014, the Board announced its intention to continue its practice of paying annual dividends of \$1.20 per Common Share over the course of 2015, such dividends to be paid on a monthly basis subject to Board approval. In making its decision the Board considered various alternatives for the anticipated free cash flow and determined that investing the incremental free cash into growth opportunities, principally investments in real property as well as replacement capital for the Corporation's Operating Entities was the best use of shareholders capital for 2015.



Maintain a Well-Structured Balance Sheet

Mullen Group maintains a strong balance sheet structured in such a manner to ensure that it will have sufficient liquidity to meet its liabilities and corporate objectives under both normal and stressed conditions. In terms of liabilities, Mullen Group maintains sufficient liquidity to not only meet its obligations when due, but to avoid incurring unacceptable losses or risking damage to Mullen Group's reputation. Furthermore, Mullen Group balances its capital structure with long-term Private Placement Debt that matures in 2016 and beyond and Debentures (as hereafter defined on page 20).

In 2014 Mullen Group generated \$248.6 million in net cash from operating activities (2013 – \$214.4 million). At December 31, 2014, Mullen Group had \$460.5 million of working capital (2013 – \$220.8 million), including \$325.4 million of cash and cash equivalents (2013 – \$58.2 million), a debt-to-equity ratio of 0.78:1 (2013 – 0.47:1) and a total debt to operating cash flow (as hereafter described on page 36) of 2.42:1 (2013 – 1.36:1). Mullen Group's total debt to operating cash flow financial covenant under its Private Placement Debt (as hereafter defined on page 20) enables the Corporation to include the trailing twelve months operating cash flows for acquisitions. Mullen Group has not included the trailing twelve months of operating cash flows from its most recent acquisitions.

Strive for Operational Excellence

The business of Mullen Group is managed upon the principles of generating superior profitability, striving for excellence in safety and committing to the process of continuous improvement. Operating in a team environment, Mullen Group challenges its employees to make decisions on all aspects relating to the operations of the business, improve customer service, enhance business processes, maintain cost controls, obtain excellence in safety and generate superior profitability. Mullen Group evaluates operational excellence by benchmarking the financial performance, safety statistics and return on invested capital of each Operating Entity.

Operate a Decentralized Business Model

Mullen Group has two operating segments and operates a decentralized business model that is non-hierarchical in nature. Corporate Office (as defined on page 12) provides overall support to the Operating Entities by coordinating business strategies, monitoring financial and business performance and providing shared services on an as-needed basis. In addition, Corporate Office has invested \$396.2 million in real estate holdings and operating facilities, mainly for use by the Operating Entities. Each Operating Entity is held accountable for its own performance and results. The management and employees of the Operating Entities are remunerated based upon the performance of their respective business unit.

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



Business

The business of Mullen Group is operated through its Operating Entities, which are divided into two distinct operating segments for reporting purposes – Oilfield Services and Trucking/Logistics. The segments are differentiated by the type of service provided, equipment requirements and customer needs. Mullen Group provides the capital and financial expertise, technology and systems support, shared services and strategic planning (the "Corporate Office") for the Operating Entities. 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 Operating Entities. Such properties are leased by MT to the Operating Entities on commercially reasonable terms. The day to day management of the Operating Entities is conducted at the subsidiary level.

At December 31, 2014, the Oilfield Services segment consisted of 17 Operating Entities 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:

Operating Entity	Primary Service Provided	Number of Units		
		Power Units	Trailers	Other*
Production Services				
Brady Oilfield Services L.P. ⁽¹⁾	Fluid Transportation - Saskatchewan	119	143	28
Cascade Energy Services L.P. ⁽²⁾	Fluid Transportation - British Columbia & Alberta	229	270	69
E-Can Oilfield Services L.P.	Fluid Transportation - Heavy Oil Regions of Alberta	234	160	54
Heavy Crude Hauling L.P.	Fluid Transportation - Heavy Oil Regions of Alberta	160	174	15
Majestic Oilfield Services Inc. ⁽³⁾	Fluid Transportation - British Columbia & Alberta	64	92	17
R. E. Line Trucking (Coleville) Ltd.	Fluid Transportation - Saskatchewan	74	90	9
Spearing Service L.P.	Fluid Transportation - Saskatchewan	211	525	33
Specialized Services				
Canadian Dewatering L.P.	Water Management Services	4	28	948
Premay Equipment L.P.	Specialized Heavy Haul	72	326	78
Premay Pipeline Hauling L.P.	Large Diameter Pipe Transportation	72	194	79
Recon Utility Search L.P. ⁽⁴⁾	Hydrovac Excavation Services	17	8	18
Drilling Services				
OK Drilling Services L.P.	Conductor Pipe Setting	14	19	32
TREO Drilling Services L.P.	Core Drilling	29	77	87
Drilling Related Services				
Formula Powell L.P. ⁽⁵⁾	Mud / Fluid Transportation & Warehousing	221	1,091	147
Mullen Oilfield Services L.P.	Rig Relocation Services	172	433	66
Pe Ben Oilfield Services L.P.	Drill Pipe Transportation & Warehousing	95	207	99
Withers L.P.	Drill Pipe Transportation & Warehousing	84	186	33

* Other includes miscellaneous equipment such as: pick-ups, submersible pumps, earthmoving equipment, yard equipment, rail cars and containers.

⁽¹⁾ On January 1, 2015, the operations of Brady Oilfield Services L.P. were combined with Spearing Service L.P.

⁽²⁾ On January 1, 2013, the operations of Polaris Petroleum Ltd. were combined with Cascade Energy Services L.P.

⁽³⁾ On August 15, 2013, Panda Tank & Vac Truck Services Inc. changed its name to Majestic Oilfield Services Inc.

⁽⁴⁾ Acquired the business of Recon Utility Search N.A. Inc. on November 5, 2014 and now operates as Recon Utility Search L.P.

⁽⁵⁾ On January 1, 2013, the operations of Pro North Oilfield Services were combined with Formula Powell L.P.



At December 31, 2014, the Trucking/Logistics segment consisted of 10 Operating Entities, 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:

Operating Entity	Primary Service Provided	Number of Units		
		Power Units	Trailers	Other*
Bernard Transport Ltd. ⁽¹⁾	Regional Scheduled LTL - Northern Alberta	22	36	10
Cascade Carriers L.P.	Dry Bulk Freight	102	554	11
Grimshaw Trucking L.P.	Regional Scheduled LTL - Northern Alberta	181	397	60
Hi-Way 9 Group of Companies	Regional Scheduled LTL - Southern Alberta	256	475	76
Jay's Transportation Group Ltd. ⁽²⁾	Regional Scheduled LTL - Saskatchewan	225	401	81
Kleysen Group L.P.	Irregular Route Truckload & Multi-Modal	257	813	810
Mullen Trucking L.P.	Irregular Route Truckload & Specialized Transportation	131	409	17
Payne Transportation L.P.	Irregular Route Truckload & Specialized Transportation	184	265	11
Smook Contractors Ltd.	Civil Construction	23	58	117
Tenold Transportation Limited Partnership	Irregular Route Truckload (Cable)	88	110	64

* Other includes miscellaneous equipment such as: pick-ups, submersible pumps, earthmoving equipment, yard equipment, rail cars and containers.

⁽¹⁾ Acquired October 1, 2014.

⁽²⁾ Acquired May 31, 2013. On October 31, 2014, Jay's Moving & Storage Ltd. changed its name to Jay's Transportation Group Ltd.

A more detailed description of the Operating Entities is set forth in the Annual Information Form, which is dated February 11, 2015 and is available on SEDAR at www.sedar.com, our website at www.mullen-group.com or upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com.

Human Resources

As at December 31, 2014, approximately 5,500 people were employed or engaged by the Operating Entities and at Corporate Office. These employees include the dedicated sub-contractors engaged by the Operating Entities. This compares to approximately 6,100 employees in 2013. The majority of the decrease was mainly due to a reduction in the number of employees within the Oilfield Services segment.

Private Placement and Capital Allocations

2014 Private Placement

On September 16, 2014, Mullen Group executed a Note Purchase Agreement whereby it issued a series of unsecured notes on a private placement basis (the "2014 Notes"), the proceeds of which were drawn on October 22, 2014. The details of the 2014 Notes are set forth below:

(\$ millions)	Principal Amount	Maturity	Interest Rate ⁽¹⁾
Notes:			
Series G	\$ 117.0 U.S.	October 22, 2024	3.84%
Series H	\$ 112.0 U.S.	October 22, 2026	3.94%
Series I	\$ 30.0 CDN.	October 22, 2024	3.88%
Series J	\$ 3.0 CDN.	October 22, 2026	4.00%
Series K	\$ 58.0 CDN.	October 22, 2024	3.95%
Series L	\$ 80.0 CDN.	October 22, 2026	4.07%

⁽¹⁾ Interest is payable semi-annually



In conjunction with the 2014 Notes offering, 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 24, 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. The Cross-Currency Swaps are recorded at their fair value at the end of each period with any changes in fair value being recorded within net unrealized foreign exchange loss (gain) in the statement of comprehensive income. The terms and thresholds of the financial covenants for the 2014 Notes are the same as our existing Private Placement Debt (as hereafter defined on page 20), with the two main financial covenants being total debt that cannot exceed 3.5 times operating cash flow (as hereafter described on page 36) and a fixed charge coverage ratio that cannot be less than 1.75:1.

A portion of the proceeds from the Series G and Series H Notes were used to repay portions of our existing Private Placement Debt. Specifically, on October 24, 2014, Mullen Group, at its sole discretion, repaid the holders of Series A (U.S. \$100.0 million) and Series B (U.S. \$50.0 million) Notes. The 2014 Notes have significantly lower interest rates than the Series A and Series B Notes. The Series A and Series B Notes were to mature on June 30, 2016 and June 30, 2018, respectively. In conjunction with prepaying the Series A and Series B Notes on October 24, 2014, Mullen Group was required to make a one-time \$20.0 million payment to the Series A and Series B noteholders. This one-time \$20.0 million payment was a direct result of Mullen Group's decision to prepay the Series A and Series B Notes prior to maturity and consists of the net present value of the future interest payments on such notes that would have otherwise been paid to the noteholders. The \$20.0 million one-time prepayment expense was recognized within finance costs in the statement of comprehensive income during the period.

Subsequent to issuing the 2014 Notes and the repayment of the Series A and Series B Notes, our weighted average interest rate on our U.S. dollar long-term debt was reduced to 4.43 percent from 6.17 percent. The weighted average interest rate on our Canadian dollar long-term debt was reduced to 4.80 percent from 5.65 percent.

The following table details our long-term debt after issuing the 2014 Notes and the repayment of the Series A and Series B Notes:

(\$ millions)	Principal Amount	Maturity	Interest Rate ⁽¹⁾
Notes:			
Series E	\$ 85.0	September 27, 2017	5.90%
Series G	117.0	October 22, 2024	3.84%
Series H	112.0	October 22, 2026	3.94%
Total U.S. dollar debt	\$ 314.0		4.43%⁽²⁾
Notes:			
Series C	\$ 70.0	June 30, 2016	5.60%
Series D	70.0	June 30, 2018	5.76%
Series F	20.0	September 27, 2017	5.47%
Series I	30.0	October 22, 2024	3.88%
Series J	3.0	October 22, 2026	4.00%
Series K	58.0	October 22, 2024	3.95%
Series L	80.0	October 22, 2026	4.07%
Total CDN. dollar debt	\$ 331.0		4.80%⁽²⁾

⁽¹⁾ Interest is payable semi-annually

⁽²⁾ Weighted average interest rate calculation



Acquisitions and Investment

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, one of the largest privately owned transportation carriers in Canada, in an all cash transaction for total consideration of \$172.0 million. Gardewine Group Limited Partnership is comprised of the following businesses: Gardewine North, Northern Cartage, Northern Deck, Northern Bulk and Northern Logistics (collectively, "**Gardewine**"). 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 660 trucks and 1,300 trailers through a network of 23 owned and 11 leased terminals, employing over 1,500 employees and 140 contract owner operators. Mullen Group expects that Gardewine will contribute additional annual revenue in excess of \$225.0 million, however, it currently generates margins that are lower than Mullen Group's existing Trucking/Logistics segment. As a result, the overall operating margin of the Trucking/Logistics segment is expected to decline. Mullen Group acquired Gardewine as part of its strategy to invest in the transportation sector in Canada. Gardewine's financial results from operations will be included in the Trucking/Logistics segment.

2014

Recon Utility Search N.A. Inc. – On November 5, 2014, Mullen Group acquired the business of and facilities used by Recon Utility Search N.A. Inc, which now operates as Recon Utility Search L.P. ("**Recon**") for net cash consideration of \$21.7 million, including \$3.0 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to \$3.0 million for achieving certain financial targets in the 2015, 2016 and 2017 fiscal years. Recon is headquartered in Hardisty, Alberta and provides specialized vacuum and hydrovac services mainly to the oil and gas pipeline industry within Alberta, Canada. Mullen Group acquired this business as part of its strategy to invest in the energy sector. The results from Recon's operations are included in the Oilfield Services segment.

Bernard Transport Ltd. – On October 1, 2014, Mullen Group acquired all of the issued and outstanding shares of Bernard for net cash consideration of \$6.9 million. Bernard is headquartered in Edmonton, Alberta and provides LTL transportation services within Alberta. Mullen Group acquired Bernard as part of its strategy to invest in the transportation sector in western Canada. Bernard's financial results from operations are included in the Trucking/Logistics segment.

Kriska Transportation Group Limited – On December 1, 2014, Mullen Group entered into a share transfer agreement whereby it contributed its interest in Mill Creek in exchange for a 30.0 percent equity interest in Kriska Transportation Group Limited ("**Kriska Transportation**"). Kriska Holdings Limited ("**Kriska Holdings**") contributed its interest to Kriska Transportation in exchange for a 70.0 percent equity interest in Kriska Transportation. Mullen Group recorded a \$10.8 million gain in 2014 within its statement of comprehensive income as the fair value of the consideration received exceeded our book value of Mill Creek. Kriska Transportation is a growth oriented Ontario based transportation and logistics company. Mullen Group acquired an equity interest in Kriska Transportation as part of its strategy to invest in the transportation sector in eastern Canada.

2013

Jay's Moving & Storage Ltd. – On May 31, 2013, Mullen Group acquired Jay's Moving & Storage Ltd. for cash consideration of \$21.6 million, consisting of \$15.7 million for the outstanding common shares and \$5.9 million of associated debt. On October 31, 2014, Jay's Moving & Storage Ltd. changed its name to Jay's Transportation Group Ltd. ("**Jay's**"). Jay's is a LTL transportation company operating predominantly within Saskatchewan. Mullen Group acquired Jay's as part of its strategy to invest in the transportation sector in western Canada. The results from Jay'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 Annual Financial Statements from the date of acquisition.



Capital Expenditures

In 2014 gross capital expenditures on a consolidated basis were \$125.7 million as compared to \$133.7 million in 2013. These capital expenditures were comprised of \$66.2 million in the Oilfield Services segment (2013 - \$62.9 million), \$20.5 million in the Trucking/Logistics segment (2013 - \$23.1 million) and \$39.1 million in the Corporate Office (2013 - \$48.7 million). Gross dispositions on a consolidated basis were \$56.3 million in 2014 as compared to \$14.3 million in 2013. These gross dispositions were comprised of \$23.0 million in the Oilfield Services segment (2013 - \$11.1 million), \$2.7 million in the Trucking/Logistics segment (2013 - \$3.9 million) and \$30.7 million in the Corporate Office (2013 - nil).

Net capital expenditures¹ were \$69.4 million (2013 - \$119.4 million), consisting of \$59.7 million of operating equipment (2013 - \$69.2 million) and \$9.7 million of real property and facilities (2013 - \$50.2 million). Net capital expenditures¹ related to operating equipment decreased by \$9.5 million that was mainly due to an \$11.2 million increase in proceeds on sale of assets, which mainly occurred within the Oilfield Services segment. Net capital expenditures¹ in the Oilfield Services segment decreased on a year over year basis, which primarily resulted from an \$11.9 million increase in proceeds on disposal of equipment. Net capital expenditures¹ in the Trucking/Logistics segment increased slightly on a year over year basis. In 2014 the Corporate Office purchased and developed \$38.5 million of real property and facilities through its subsidiary MT to develop its network of real estate holdings, most notably in Fort McMurray and Edmonton, Alberta. MT constructed two new shop and office complexes including a wash bay in Fort McMurray, which were completed in December 2014. These two new facilities are replacing some third party operating leases, which will reduce the Corporation's rental costs. MT is in the process of expanding its rail transload facility in Edmonton to meet growing customer demand. MT also purchased approximately \$18.2 million of real property used in the operations of Kriska Transportation and has entered into long-term leases with Kriska Transportation related to these properties. The Corporate Office sold \$30.7 million of non-core real estate located in Edmonton, Alberta in December 2014. Mullen Group recorded a gain of \$10.1 million on the sale of this property. As a result, net capital expenditures¹ related to facilities were \$7.8 million (2013 - \$47.1 million).

In January 2015, MT purchased \$25.0 million of real property within Saskatchewan that is currently used in the operations of Jay's. The purchase of these properties will reduce Mullen Group's operating lease costs by \$1.5 million per annum.

On December 17, 2014, Mullen Group's Board approved an \$80.0 million capital expenditure budget for 2015, with \$40.0 million allocated as replacement capital for the Corporation's Operating Entities, the majority focused towards purchasing trucks, trailers and specialized equipment to support operations. In addition, \$35.0 million will be allocated to purchase real property in Saskatchewan, facilities currently leased by Jay's and to complete the rail transload facility in Edmonton, Alberta. Further, a total of \$5.0 million will be allocated for contingencies. The capital required for acquisitions and other special projects is not included in this \$80.0 million and will be considered by the Board throughout the year as the need arises.

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



2014 CONSOLIDATED FINANCIAL RESULTS

Revenue

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

Consolidated Revenue Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%	\$	%	\$	%
Company	855.1	59.9	871.5	60.6	(16.4)	(1.9)
Contractors	567.1	39.7	560.3	39.0	6.8	1.2
Other	5.7	0.4	5.4	0.4	0.3	5.6
Total	1,427.9	100.0	1,437.2	100.0	(9.3)	(0.6)

Mullen Group's consolidated revenue in 2014 decreased by \$9.3 million, or 0.6 percent, to \$1,427.9 million as compared to \$1,437.2 million in 2013. This decrease was due to a decline in revenue in the Oilfield Services segment, which was somewhat offset by an increase in revenue in the Trucking/Logistics segment. Revenue in the first and second quarters of 2014 increased year over year by \$26.5 million and \$3.1 million respectively, which was more than offset by a year over year decrease in revenue of \$16.7 million and \$22.2 million in the third and fourth quarters, respectively.

In 2014 revenue in the Oilfield Services segment decreased by \$27.4 million, or 3.1 percent, to \$858.9 million as compared to \$886.3 million in the same period one year earlier. This decrease was primarily due to a \$10.1 million decline in revenue as a result of fewer large diameter pipeline construction projects and a \$10.2 million decline in revenue in those Operating Entities involved in the transportation of fluids and the servicing of wells.

Revenue in the Trucking/Logistics segment increased by \$17.0 million, or 3.1 percent, to \$570.9 million from \$553.9 million in the same period one year earlier. This increase was largely due to the \$16.8 million of incremental revenue generated by the acquisition of Jay's and Bernard, as well as a \$3.3 million increase in fuel surcharge revenue. These increases were partially offset by decreased demand for over-dimensional and heavy haul freight services, construction related services in northern Manitoba and from a decline in revenue due to Mill Creek's financial results no longer being consolidated by Mullen Group as of December 1, 2014.

Company Equipment generated \$855.1 million as compared to \$871.5 million in 2013, a decline of \$16.4 million or 1.9 percent. The majority of this decrease was due to the decline in revenue related to large diameter pipeline construction projects. This decrease was somewhat offset by the incremental revenue resulting from the acquisition of Jay's, Bernard and Recon. Revenue related to Company Equipment represented 59.9 percent of consolidated revenue in the current period as compared to 60.6 percent in 2013. Revenue generated by Contractors increased by \$6.8 million, or 1.2 percent, to \$567.1 million as compared to \$560.3 million in 2013, primarily due to increased revenue associated with crude oil and fluid hauling within Alberta's heavy oil region. Revenue related to Contractors represented 39.7 percent of consolidated revenue in the current period as compared to 39.0 percent in 2013.



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.

Consolidated Direct Operating Expenses						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	228.0	26.7	236.8	27.2	(8.8)	(3.7)
Fuel	83.9	9.8	84.4	9.7	(0.5)	(0.6)
Repairs and maintenance	129.1	15.1	128.5	14.7	0.6	0.5
Operating supplies	78.0	9.1	74.2	8.5	3.8	5.1
Other	36.7	4.3	39.3	4.5	(2.6)	(6.6)
	555.7	65.0	563.2	64.6	(7.5)	(1.3)
Contractors	429.4	75.7	420.2	75.0	9.2	2.2
Total	985.1	69.0	983.4	68.4	1.7	0.2

*as a percentage of respective Consolidated revenue

DOE increased by \$1.7 million, or 0.2 percent, in 2014 on consolidated revenue that declined by \$9.3 million. Total DOE for the year were \$985.1 million as compared to \$983.4 million in 2013. The increase was primarily due to higher DOE associated with Contractors that was somewhat offset by lower DOE from Company Equipment. DOE in the Oilfield Services segment decreased by \$12.7 million, or 2.1 percent, and was directly related to the \$27.4 million, or 3.1 percent, decrease in segment revenue. DOE in the Trucking/Logistics segment increased by \$13.0 million, or 3.2 percent, and was directly related to the \$17.0 million, or 3.1 percent, increase in segment revenue. As a percentage of revenue these expenses increased by 0.6 percent to 69.0 percent as compared to 68.4 percent in 2013.

In 2014 DOE associated with Company Equipment decreased to \$555.7 million as compared to \$563.2 million in 2013. The decrease of \$7.5 million, or 1.3 percent, was directly related to the \$16.4 million, or 1.9 percent, decrease in Company revenue. As a percentage of Company revenue these expenses increased to 65.0 percent as compared to 64.6 percent in 2013. Company expenses as a percentage of Company revenue increased by 0.4 percent primarily due to a combination of a generally more competitive environment in the Oilfield Services segment, which was somewhat offset by slightly higher margins experienced by the Trucking/Logistics segment.

Contractors expense in 2014 increased by \$9.2 million to \$429.4 million, as compared to \$420.2 million in 2013 due to the \$6.8 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.7 percent to 75.7 percent as compared to 75.0 percent in 2013, due to higher costs experienced in both the Oilfield Services and Trucking/Logistics segments.



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 Operating Entities.

Consolidated Selling and Administrative Expenses						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	83.9	5.9	79.8	5.6	4.1	5.1
Communications, utilities and general supplies	42.7	3.0	39.4	2.7	3.3	8.4
Profit share	20.3	1.4	21.3	1.5	(1.0)	(4.7)
Foreign exchange	(3.4)	(0.2)	(1.5)	(0.1)	(1.9)	126.7
Stock-based compensation	1.6	0.1	2.6	0.2	(1.0)	(38.5)
Rent and other	13.0	0.9	11.5	0.8	1.5	13.0
Total	158.1	11.1	153.1	10.7	5.0	3.3

*as a percentage of total Consolidated revenue

S&A expenses were \$158.1 million in 2014 as compared to \$153.1 million in 2013. The increase of \$5.0 million was mainly attributable to additional expenses incurred as a result of acquisitions. S&A expenses as a percentage of consolidated revenue increased by 0.4 percent to 11.1 percent in comparison to 10.7 percent in 2013.

Operating Income

Operating income¹ 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.

Consolidated Operating Income ⁽¹⁾						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%	\$	%	\$	%
Oilfield Services	196.4	69.0	212.3	70.6	(15.9)	(7.5)
Trucking/Logistics	92.4	32.5	92.8	30.9	(0.4)	(0.4)
Corporate	(4.1)	(1.5)	(4.4)	(1.5)	0.3	(6.8)
Total	284.7	100.0	300.7	100.0	(16.0)	(5.3)

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

Operating income¹ for 2014 decreased to \$284.7 million, or 5.3 percent, as compared to \$300.7 million generated in the same period last year. The decrease of \$16.0 million was due to the Oilfield Services segment that experienced a \$15.9 million decrease in operating income¹ and the Trucking/Logistics segment that experienced a \$0.4 million decrease in operating income¹. Somewhat offsetting these declines was a \$0.3 million reduction in Corporate costs. As a percentage of revenue, operating income¹ decreased to 19.9 percent as compared to 20.9 percent in 2013. This 1.0 percent decrease in operating margin was due to a generally more competitive environment in oilfield services in the second half of the year as activity levels slowed and competition intensified.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was \$69.3 million in 2014 as compared to \$69.5 million in 2013. The decrease of \$0.2 million was attributable to a lower amount of depreciation being recorded in the Oilfield Services segment. Depreciation in the Oilfield Services segment decreased by \$1.6 million due to the sale of older assets by certain Operating Entities combined with the Corporation's declining balance method of depreciation. Somewhat offsetting this decrease was an increase in depreciation due to the capital expenditures made by those Operating Entities involved in the transportation of fluids and the servicing of wells. Depreciation in the Trucking/Logistics segment increased by \$1.0 million due to the additional depreciation expense resulting from the capital expenditures

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



made by certain Operating Entities to meet customer demand in western Canada and from the acquisition of Jay's and Bernard. Depreciation in the Corporate Office increased slightly on a year over year basis primarily as a result of capital expenditures related to facilities.

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 \$15.9 million in 2014 as compared to \$16.7 million in 2013. The decrease of \$0.8 million mainly resulted from the reduction in amortization recorded on certain Operating Entities' intangible assets that have become fully amortized. This decrease was somewhat offset by the additional amortization recorded on the intangible assets associated with the Recon, Bernard and Jay's acquisitions.

Finance Costs

Finance costs mainly consist of:

- a \$20.0 million one-time expense related to the prepayment of the Series A and Series B Notes;
- interest expense on financial liabilities, including:
 - the U.S. \$100.0 million of Series A Notes, U.S. \$50.0 million of Series B Notes, \$70.0 million of Series C Notes, \$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 \$47.4 million in 2014 as compared to \$26.3 million in 2013. The increase of \$21.1 million was mainly attributable to a \$20.0 million one-time expense related to the prepayment of the Series A and Series B Notes on October 24, 2014. For more information regarding the \$20.0 million one-time prepayment expense, refer to the Private Placement and Capital Allocations section beginning on page 13. This increase was also attributable to the additional interest expense recorded on the 2014 Notes as well as a greater amount of interest expense being recorded on the U.S. dollar debt as a result of a weakening in the Canadian dollar as compared to the U.S. dollar. These increases were somewhat offset by lower interest expense being recorded on the Debentures due to conversions.

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 Cross-Currency Swaps.

The components of net unrealized foreign exchange loss were as follows:

(\$ millions)	Years ended December 31	
	CDN. \$ Equivalent	
	2014	2013
Unrealized foreign exchange loss on U.S. debt	24.9	16.2
Unrealized foreign exchange (gain) on Cross-Currency Swaps	(9.4)	—
Net unrealized foreign exchange loss	15.5	16.2



Unrealized Foreign Exchange Loss on U.S. Debt

Mullen Group recorded an unrealized foreign exchange loss of \$15.5 million related to the Corporation's U.S. dollar denominated debt due to the change in the value of the Canadian dollar against the U.S. dollar during 2014. In 2013 Mullen Group recorded an unrealized foreign exchange loss of \$16.2 million due to the \$0.07 weakening of the Canadian dollar against the U.S. dollar. The details of the unrealized foreign exchange loss on U.S. debt is summarized in the table below.

(\$ millions, except exchange rate amount)	Years ended December 31					
	2014			2013		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Beginning – January 1	235.0	1.0636	250.0	235.0	0.9949	233.8
Add: Series G and Series H Notes	229.0	1.1262	257.9	—	—	—
Less: Repayment of Series A and Series B Notes	(150.0)	1.1233	(168.5)	—	—	—
Subtotal	314.0		339.4	235.0		233.8
Ending – December 31	314.0	1.1601	364.3	235.0	1.0636	250.0
Unrealized foreign exchange loss on U.S. debt			24.9			16.2

Unrealized Foreign Exchange Gain on Cross-Currency Swaps

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 on the consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose.

Mullen Group recorded an unrealized foreign exchange gain on Cross-Currency Swaps of \$9.4 million in 2014. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below.

(\$ millions)	Years ended December 31			
	2014		2013	
	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	(5.1)	—	—
Cross-Currency Swap maturing October 22, 2026	112.0	(4.3)	—	—
Unrealized foreign exchange (gain) on Cross-Currency Swaps		(9.4)		—

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment and earnings from equity investments. Other expense in 2014 was \$4.9 million, a \$25.6 million negative variance as compared to the \$20.7 million of other income recorded in 2013. The \$25.6 million negative variance was due to the factors set forth below.

Change in Fair Value of Investments (negative variance of \$41.6 million). Mullen Group periodically invests in certain private and public corporations. In 2014 Mullen Group recorded a decrease in the fair value of investments of \$20.7 million as compared to a \$20.9 million increase in 2013. This \$41.6 million negative 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. In 2014 Logan's share price decreased by \$2.06 or 32.4 percent resulting in a \$9.6 million decrease in the fair value of this investment as compared to a \$15.7 million increase in 2013. In 2014 Mullen Group purchased \$3.5 million of investments.

Gain or Loss on Sale of Property, Plant and Equipment (positive variance of \$5.6 million). Mullen Group recognized a gain of \$4.5 million in 2014 on sale of property, plant and equipment on total consolidated proceeds on sale of \$56.3 million as compared to a \$1.1 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of \$14.3 million in 2013. The \$4.5 million gain on sale of property, plant and equipment in 2014 mainly resulted from recording a \$10.1 million gain on sale of non-core real property located in Edmonton, Alberta. This gain was somewhat offset by a \$5.5 million loss on sale of older assets by Operating Entities within the Oilfield Services segment. A significant amount of this equipment would have been too costly to repair or safety certify. The \$1.1 million loss on sale of property, plant and equipment in 2013 mainly resulted from the sale of older assets by certain Operating Entities within both the Oilfield Services segment and the Trucking/Logistics segment.

Gain on Sale of Mill Creek (positive variance of \$10.8 million). On December 1, 2014, Mullen Group entered into a share transfer agreement whereby it contributed its 100.0 percent interest in Mill Creek in exchange for a 30.0 percent equity interest in Kriska Transportation. When control of an Operating Entity is lost, Mullen Group re-measures the Operating Entity to its fair value and recognizes a gain or loss within the statement of comprehensive income. As such, Mullen Group recognized a gain of \$10.8 million on the contribution of Mill Creek to Kriska Transportation as the fair value of the consideration received exceeded the corresponding book value.

Earnings from Equity Investments (negative variance of \$0.4 million). Mullen Group recognized \$0.5 million of earnings from equity investments in 2014 as compared to earnings of \$0.9 million in 2013. Mullen Group uses the equity method to account for investments from the date in which it obtains significant influence or joint control. In 2014 earnings from equity investments included Mullen Group's 45.0 percent equity interest in Canol Oilfield Services Inc. ("**Canol**"), and from its 30.0 percent equity interest in Kriska Transportation, for the month of December 2014. In 2013, earnings from equity investments only included Mullen Group's equity interest in Canol.

Income Taxes

(\$ millions)	Years ended December 31	
	2014	2013
Income before income taxes	\$ 131.7	\$ 192.7
Combined statutory tax rate	26%	25%
Expected income tax	34.3	48.2
Add (deduct):		
Non-deductible portion of net unrealized foreign exchange loss	1.9	2.0
Non-deductible (taxable) portion of the change in fair value of investments	2.6	(2.6)
Stock-based compensation expense	0.4	0.6
Other	(2.1)	1.2
Income tax expense	\$ 37.1	\$ 49.4

Income tax expense was \$37.1 million in 2014 as compared to \$49.4 million in 2013. The decrease of \$12.3 million was attributable to the lower amount of income generated in 2014 as compared to 2013. Mullen Group's combined statutory tax rate increased slightly due to a greater proportion of its revenue being generated in higher taxed jurisdictions.



Net Income

(\$ millions, except share and per share amounts)	Years ended December 31		
	2014	2013	% Change
Net income	\$ 94.6	\$ 143.3	(34.0)
Weighted average number of Common Shares outstanding	91,377,065	89,763,810	1.8
Earnings per share – basic	\$ 1.04	\$ 1.60	(35.0)

Net income decreased to \$94.6 million in 2014 as compared to \$143.3 million in 2013. The factors contributing to the decrease in net income include:

- a \$41.6 million negative variance in the fair value of investments;
- a \$21.1 million increase in finance costs;
- a \$16.0 million decrease in operating income¹; and
- a \$0.4 million decrease in earnings from equity investments.

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

- a \$12.3 million decrease in income tax expense;
- a \$10.8 million increase in gain on sale of Mill Creek;
- a \$5.6 million increase in gain on sale of property, plant and equipment;
- a \$0.8 million decrease in amortization of intangibles;
- a \$0.7 million positive variance in net unrealized foreign exchange; and
- a \$0.2 million decrease in depreciation of property, plant and equipment.

Basic earnings per share decreased to \$1.04 in 2014 as compared to \$1.60 in 2013. This decrease resulted from the combined effect of the \$48.7 million decrease in net income and an increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 89,763,810 to 91,377,065 due to the issuance of Common Shares on the conversion of Debentures and from the exercise of stock options.

¹ Refer to the section entitled "Glossary of Terms and Reconciliation of Non-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 one-time expense related to the prepayment of the Series A and Series B Notes, the net unrealized foreign exchange gains or losses, the gain on sale of Mill Creek 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.

(\$ millions, except share and per share amounts)	Years ended December 31	
	2014	2013
Income before income taxes	\$ 131.7	\$ 192.7
Add (deduct):		
Gain on sale of Mill Creek	(10.8)	—
Finance costs – adjustment (Series A and Series B Notes)	20.0	—
Net unrealized foreign exchange loss	15.5	16.2
Change in fair value of investments	20.7	(20.9)
Income before income taxes – adjusted	177.1	188.0
Income tax rate	26%	25%
Computed expected income tax expense	(46.0)	(47.0)
Net income – adjusted ⁽¹⁾	131.1	141.0
Weighted average number of Common Shares outstanding – basic	91,377,065	89,763,810
Earnings per share – adjusted ⁽¹⁾	\$ 1.44	\$ 1.57

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

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2014 SEGMENTED INFORMATION

Year ended December 31, 2014 (\$ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	858.9	570.9	(1.9)	1,427.9
Direct operating expenses	578.3	414.0	(7.2)	985.1
Selling and administrative expenses	84.2	64.5	9.4	158.1
Operating income ⁽¹⁾	196.4	92.4	(4.1)	284.7

Year ended December 31, 2013 (\$ millions)	Oilfield Services	Trucking /Logistics	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	886.3	553.9	(3.0)	1,437.2
Direct operating expenses	591.0	401.0	(8.6)	983.4
Selling and administrative expenses	83.0	60.1	10.0	153.1
Operating income ⁽¹⁾	212.3	92.8	(4.4)	300.7

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

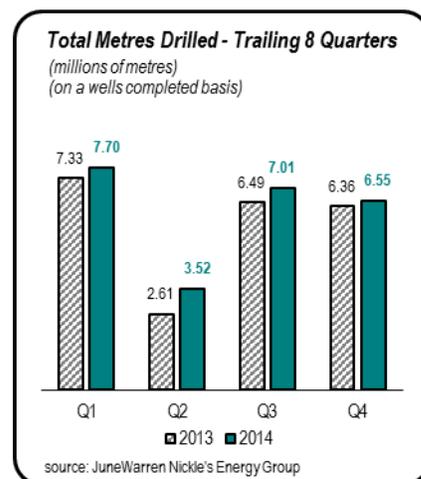
OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At December 31, 2014, the Oilfield Services segment was comprised of 17 Operating Entities, that utilize both Company Equipment and Contractors.

Service Offerings	Key Drivers and Considerations
<ul style="list-style-type: none"> Production Services Specialized Services <ul style="list-style-type: none"> oil sands, dewatering and infrastructure Drilling and Drilling Related 	<ul style="list-style-type: none"> 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 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.



Drilling activity in the western Canada sedimentary basin ("**WCSB**"), as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, improved in 2014 as compared to the prior year. Industry statistics indicate that the monthly average active rig count was 370 rigs during 2014 as compared to 339 active rigs in 2013; an increase of 31 rigs or 9.1 percent. In addition, total wells drilled in 2014 increased by 1.9 percent to 11,246 wells drilled in the year as compared to 11,032 wells drilled in 2013. The length of metres drilled within such wells increased by 8.7 percent during the period to 24.78 million metres as compared to 22.79 million metres in 2013. This represents an average increase in metres per well of approximately 8.7 percent.

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

	Years ended December 31			
	2014	2013	# Change	% Change
British Columbia	697	567	130	22.9
Alberta	6,511	6,568	(57)	(0.9)
Saskatchewan	3,571	3,357	214	6.4
Manitoba	464	538	(74)	(13.8)
Northwest Territories	3	2	1	50.0
Total	11,246	11,032	214	1.9

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

Revenue

Revenue – Oilfield Services						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%	\$	%	\$	%
Company	571.9	66.6	604.0	68.1	(32.1)	(5.3)
Contractors	283.2	33.0	278.5	31.4	4.7	1.7
Other	3.8	0.4	3.8	0.5	—	—
Total	858.9	100.0	886.3	100.0	(27.4)	(3.1)

The Oilfield Services segment generated 60.1 percent of pre-consolidated revenue in 2014 as compared to 61.5 percent in 2013. Revenue in this segment decreased by \$27.4 million, or 3.1 percent, to \$858.9 million as compared to \$886.3 million in 2013. Revenue in the first and second quarters of 2014 increased year over year by \$15.0 million and \$2.3 million respectively, which was more than offset by a year over year decrease in revenue of \$18.2 million and \$26.5 million in the third and fourth quarters, respectively. As the year progressed, slowing customer demand accompanied by competitive pressures, limited pricing power and changing markets combined to limit opportunities for the vast majority of our Operating Entities in this segment. Specific factors affecting the Oilfield Services segment's year to date revenue were:

- a \$10.2 million decrease in revenue generated by those Operating Entities involved in the transportation of fluids and servicing of wells due to a combination of intense competition, pricing pressures in a number of markets and bottlenecks during the earlier part of the year;
- a \$9.3 million decrease in revenue generated by those Operating Entities providing specialized services to pipeline construction and the oil sands due to a \$10.1 million decline in revenue as a result of fewer large diameter pipeline construction projects being largely offset by an increase in demand for water management and other services and the \$1.3 million of incremental revenue related to the acquisition of Recon;
- a \$5.2 million decrease in revenue generated by those Operating Entities most directly tied to oil and natural gas drilling activity due to intense competition and the exit of some unprofitable markets; and
- a \$4.5 million decrease in revenue generated by those Operating Entities providing drilling services including core drilling for the oil sands due to the cancellation of winter core drilling programs in December of 2014.



Direct Operating Expenses

Direct Operating Expenses – Oilfield Services						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	149.4	26.1	161.1	26.7	(11.7)	(7.3)
Fuel	48.9	8.6	51.1	8.5	(2.2)	(4.3)
Repairs and maintenance	89.7	15.7	91.2	15.1	(1.5)	(1.6)
Operating supplies	56.2	9.8	55.0	9.1	1.2	2.2
Other	18.8	3.3	21.9	3.6	(3.1)	(14.2)
	363.0	63.5	380.3	63.0	(17.3)	(4.5)
Contractors	215.3	76.0	210.7	75.7	4.6	2.2
Total	578.3	67.3	591.0	66.7	(12.7)	(2.1)

*as a percentage of respective Oilfield Services revenue

DOE were \$578.3 million in 2014 as compared to \$591.0 million in 2013. The decrease of \$12.7 million, or 2.1 percent, was directly related to the \$27.4 million decline in segment revenue. As a percentage of revenue these expenses increased by 0.6 percent to 67.3 percent compared to 66.7 percent in 2013.

In 2014 DOE associated with Company Equipment decreased by \$17.3 million, or 4.5 percent, to \$363.0 million from \$380.3 million in 2013. This \$17.3 million decrease was directly related to the \$32.1 million decrease in Company revenue. As a percentage of Company revenue these expenses increased slightly to 63.5 percent compared to 63.0 percent in 2013, primarily due to a generally more competitive operating environment experienced by those Operating Entities involved in the transportation of fluids and the servicing of wells.

Contractors expense in 2014 increased to \$215.3 million, as compared to \$210.7 million in 2013. This \$4.6 million increase was directly related to the \$4.7 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased slightly to 76.0 percent as compared to 75.7 percent in 2013.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	42.1	4.9	41.5	4.7	0.6	1.4
Communications, utilities and general supplies	22.9	2.7	21.6	2.4	1.3	6.0
Profit share	12.8	1.5	13.7	1.5	(0.9)	(6.6)
Rent and other	6.4	0.7	6.2	0.8	0.2	3.2
Total	84.2	9.8	83.0	9.4	1.2	1.4

*as a percentage of total Oilfield Services revenue

S&A expenses in 2014 increased by \$1.2 million to \$84.2 million as compared to \$83.0 million in 2013. This \$1.2 million increase was primarily due to the increase in expenses related to communication, utilities and general supplies as well as the acquisition of Recon. S&A expenses as a percentage of segment revenue increased by 0.4 percent to 9.8 percent due to the overall fixed nature of these expenses relative to the decline in segment revenue.



Operating Income

Operating income¹ in 2014 decreased by 7.5 percent to \$196.4 million. The \$15.9 million year over year decrease can be attributed to the \$27.4 million loss of revenue. Specifically, operating income¹ decreased due to the net effect of the following:

- a \$10.6 million decrease in those Operating Entities involved in the transportation of fluids and servicing of wells;
- a \$4.4 million decrease relating to those Operating Entities leveraged to the oil sands and pipeline construction projects;
- a \$0.7 million decrease from Operating Entities tied to drilling related activity; and
- a \$0.2 million decrease from Operating Entities providing drilling services including core drilling for the oil sands.

Operating income¹ represented as a percentage of segment revenue, decreased to 22.9 percent in 2014 from 24.0 percent in 2013. The 1.1 percent decrease in operating margin was due to a combination of the increase in both DOE and S&A expenses as a percentage of segment revenue.

Capital Expenditures

Net capital expenditures¹ were \$43.2 million in 2014, a decrease of \$8.6 million as compared to \$51.8 million in 2013. The Oilfield Services segment had gross capital expenditures of \$66.2 million and dispositions of \$23.0 million for net capital expenditures¹ of \$43.2 million in 2014. Gross capital expenditures mainly consisted of additional equipment being purchased by those Operating Entities involved in the transportation of fluids and the servicing of wells, including new trailers to transport crude oil along with other specialized production services equipment that were ordered in 2013 to meet the anticipated demand for our services, predominately within the heavy oil region of Alberta. The majority of the dispositions related to the sale of older trucks and trailers. In 2013 gross capital expenditures were \$62.9 million and dispositions were \$11.1 million for net capital expenditures¹ of \$51.8 million.

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 December 31, 2014, the Trucking/Logistics segment was comprised of 10 Operating Entities that utilize both Company Equipment and Contractors.

<i>Service Offerings</i>	<i>Key Drivers and Considerations</i>
<ul style="list-style-type: none">• <i>Long-Haul Trucking</i>• <i>Less-Than-Truckload Trucking</i>• <i>Logistics, Intermodal and Transload Services</i>• <i>Bulk Hauling</i>	<ul style="list-style-type: none">• <i>Tied to general economy (i.e., GDP)</i>• <i>North American network</i>• <i>Requires less maintenance capital</i>• <i>Industry capacity is shrinking</i>

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



Revenue

Revenue – Trucking/Logistics Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%	\$	%	\$	%
Company	283.2	49.6	267.5	48.3	15.7	5.9
Contractors	287.0	50.3	285.7	51.6	1.3	0.5
Other	0.7	0.1	0.7	0.1	—	—
Total	570.9	100.0	553.9	100.0	17.0	3.1

The Trucking/Logistics segment generated 39.9 percent of pre-consolidated revenue in 2014 as compared to 38.5 percent in 2013. Revenue in this segment increased by \$17.0 million, or 3.1 percent, to \$570.9 million as compared to \$553.9 million in 2013. This increase was due to the \$15.3 million and \$1.5 million of incremental revenue generated by the acquisition of Jay's and Bernard, respectively. In addition, fuel surcharge revenue increased by \$3.3 million to \$58.9 million from \$55.6 million in 2013. These increases were partially offset by decreased demand for construction services in northern Manitoba as well as over-dimensional and heavy haul freight services in western Canada. Furthermore, a decline in revenue occurred as a result of Mill Creek's financial results no longer being consolidated by Mullen Group as of December 1, 2014. On that date, Mullen Group contributed its investment in Mill Creek in exchange for a 30.0 percent equity interest in Kriska Transportation, a new growth oriented company based in Ontario, Canada. After December 1, 2014, Mullen Group's proportionate share of Kriska Transportation's financial results was accounted for using the equity method of accounting and was included within Other (income) expenses.

Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	78.6	27.8	75.8	28.3	2.8	3.7
Fuel	35.1	12.4	33.3	12.4	1.8	5.4
Repairs and maintenance	39.5	13.9	37.3	13.9	2.2	5.9
Operating supplies	21.8	7.7	19.2	7.2	2.6	13.5
Other	21.8	7.7	21.9	8.3	(0.1)	(0.5)
	196.8	69.5	187.5	70.1	9.3	5.0
Contractors	217.2	75.7	213.5	74.7	3.7	1.7
Total	414.0	72.5	401.0	72.4	13.0	3.2

*as a percentage of respective Trucking/Logistics revenue

DOE in 2014 were \$414.0 million as compared to \$401.0 million in 2013. The increase of \$13.0 million, or 3.2 percent, was directly related to the 3.1 percent increase in segment revenue. Overall as a percentage of revenue these expenses increased by 0.1 percent to 72.5 percent as compared to 72.4 percent in 2013.

DOE related to Company Equipment increased by \$9.3 million to \$196.8 million from \$187.5 million primarily due to the incremental DOE as a result of the acquisition of Jay's and Bernard. In terms of a percentage of revenue, DOE related to Company equipment decreased to 69.5 percent as compared to 70.1 percent in 2013. This 0.6 percent decrease as a percentage of Company revenue resulted from operational efficiencies and cost control measures.

Contractors expense in 2014 increased by \$3.7 million to \$217.2 million, as compared to \$213.5 million in 2013. As a percentage of Contractors revenue, Contractors expense increased to 75.7 percent as compared to 74.7 percent in 2013 due to the increased use of subcontractors in certain markets.



Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics						
Years ended December 31						
(\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	37.3	6.5	34.5	6.2	2.8	8.1
Communications, utilities and general supplies	16.7	2.9	15.1	2.7	1.6	10.6
Profit share	7.5	1.3	7.6	1.4	(0.1)	(1.3)
Foreign exchange	(1.3)	(0.2)	(0.8)	(0.1)	(0.5)	62.5
Rent and other	4.3	0.8	3.7	0.7	0.6	16.2
Total	64.5	11.3	60.1	10.9	4.4	7.3

*as a percentage of total Trucking/Logistics revenue

S&A expenses were \$64.5 million in 2014 as compared to \$60.1 million in 2013. The increase of \$4.4 million was primarily due to the acquisition of Jay's and Bernard. S&A expenses as a percentage of segment revenue increased by 0.4 percent to 11.3 percent in comparison to 10.9 percent in 2013.

Operating Income

Operating income¹ in 2014 decreased by \$0.4 million to \$92.4 million, or 0.4 percent, compared to \$92.8 million generated in the same period last year. This decrease of \$0.4 million was mainly due to lower operating income¹ related to pneumatic bulk transportation services, which resulted from a large cement project that occurred in 2013. This decrease was almost entirely offset by the incremental operating income¹ generated by the acquisition of Jay's and Bernard. As a percentage of segment revenue, operating income¹ decreased by 0.6 percent to 16.2 percent as compared to 16.8 percent in 2013.

Capital Expenditures

Net capital expenditures¹ were \$17.8 million in 2014, a decrease of \$1.4 million as compared to \$19.2 million in 2013. The Trucking/Logistics segment had gross capital expenditures of \$20.5 million and dispositions of \$2.7 million for net capital expenditures¹ of \$17.8 million in 2014. Gross capital expenditures mainly consisted of the purchase of trucks and trailers, as well as various pieces of operating equipment. In 2013 gross capital expenditures were \$23.1 million and dispositions were \$3.9 million for net capital expenditures¹ of \$19.2 million.

CORPORATE

The Corporate Office provides support to the Corporation's Operating Entities including coordinating business strategies, monitoring financial and business performance and providing shared services such as payroll services, human resource support, information technology 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 Operating Entities. Such properties are leased on commercially reasonable terms. In addition, the Corporate Office is responsible for all regulatory and public reporting.

The Corporate Office experienced an operating loss of \$4.1 million in 2014 as compared to an operating loss of \$4.4 million in 2013. The \$0.3 million decrease in operating loss was mainly attributable to a positive variance in foreign exchange and a reduction in stock-based compensation expense. These decreases were somewhat offset by an increase in various administrative expenses including professional fees related to acquisitions, facility repair costs and property taxes, which resulted from the purchase of real property and facilities by the Corporate Office.

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



CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(\$ millions)	Years ended December 31	
	2014	2013
Net cash from operating activities	\$ 248.6	\$ 214.4
Net cash from (used in) financing activities	114.0	(143.6)
Net cash used in investing activities	(98.0)	(136.3)
Change in cash and cash equivalents	264.6	(65.5)
Effect of exchange rate fluctuations on cash held	2.6	0.9
Cash and cash equivalents, beginning of period	58.2	122.8
Cash and cash equivalents, end of period	\$ 325.4	\$ 58.2

Annual Sources and Uses of Cash

Net cash from operating activities increased to \$248.6 million in 2014 as compared to \$214.4 million in 2013. The increase of \$34.2 million, or 16.0 percent, was mainly due to a \$31.9 million change in non-cash working capital items from operating activities and a reduction in the amount of income taxes paid in 2014 as compared to 2013. Mullen Group's final tax payments for fiscal 2013 were required to be paid in the first quarter of 2014. Mullen Group paid higher monthly tax instalments during 2013, which lowered the amount of the final tax payments made in 2014. These items were somewhat offset by a \$16.0 million decrease in operating income¹.

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			
(\$ millions)	Years ended December 31		
	2014	2013	Variance
	\$	\$	\$
Sources (uses) of cash			
Trade and other receivables	23.0	(10.4)	33.4
Inventory	(4.1)	(1.8)	(2.3)
Prepaid expenses	0.8	—	0.8
Accounts payable and accrued liabilities	2.5	2.5	—
Total sources (uses) of cash from non-cash working capital items	22.2	(9.7)	31.9

Operating Activities

In 2014 Mullen Group generated \$22.2 million of cash from changes in non-cash working capital items from operating activities as compared to using \$9.7 million of cash in 2013. This \$31.9 million variance was mainly due to the factors listed below.

- An additional \$33.4 million of cash was generated from trade and other receivables that resulted from the combined effect of a \$23.0 million source of cash in 2014 as compared to a \$10.4 million use of cash in 2013. In 2014 the \$23.0 million source of cash was due to Mullen Group collecting more receivables than it generated during the period, which mainly resulted from a reduction in revenue in the fourth quarter. In 2013 the \$10.4 million use of cash resulted from Mullen Group financing a greater amount of its receivables due to business expansion until such time as those receivables were collected.
- An additional \$0.8 million of cash was generated from prepaid expenses that resulted from a \$0.8 million source of cash in 2014.

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



Somewhat offsetting these items was the following:

- An additional \$2.3 million of cash was used in inventory that resulted from the combined effect of a \$4.1 million use of cash in 2014 as compared to a \$1.8 million use of cash in 2013. Inventory increased in 2014 and 2013 resulting in a use of cash.

Financing Activities

Net cash generated from financing activities was \$114.0 million in 2014 as compared to using \$143.6 million of cash in 2013. This \$257.6 million positive variance was mainly due to the factors set forth below.

- An additional \$426.1 million of cash was generated from issuing the 2014 Notes (\$171.0 million and U.S. \$229.0 million), the proceeds of which were drawn on October 22, 2014. For more information on the 2014 Notes, refer to the Private Placement Debt and Capital Allocations section beginning on page 13.
- A \$181.5 million increase in the repayment of long-term debt and loans, which resulted from using a portion of the proceeds of the Series G and Series H Notes to repay the holders of the Series A (U.S. \$100.0 million) and Series B (U.S. \$50.0 million) Notes, including the \$20.0 million one-time prepayment expense in 2014. In 2013, the repayment of long-term debt and loans mainly consisted of repaying \$5.9 million of debt assumed in the Jay's acquisition.
- An \$11.1 million decrease in dividends paid to shareholders in 2014 as compared to 2013, which resulted from the Board's decision to declare and pay dividends of \$0.10 per Common Share on a monthly basis starting in January 2013 as compared to paying \$0.25 per Common Share on a quarterly basis in 2012. The \$0.25 dividend declared in the fourth quarter of 2012 resulted in \$21.9 million of dividends being paid in January 2013. Subsequent to this payment, Mullen Group commenced paying monthly dividends of \$0.10 per Common Share, which resulted in monthly dividend payments ranging from \$8.8 million to \$9.2 million. The amount of dividends paid on a monthly basis has slowly increased over time due to an increase in the number of Common Shares outstanding, which primarily resulted from the conversion of Debentures and the exercise of stock options.
- A \$1.8 million decrease in interest paid due to the conversion of Debentures and the prepayment of the Series A and Series B Notes on October 24, 2014.
- A \$0.3 million decrease in cash received from the exercise of stock options.

Investing Activities

Net cash used in investing activities decreased to \$98.0 million in 2014 as compared to \$136.3 million in 2013. This \$38.3 million decrease was mainly due to the factors set forth below.

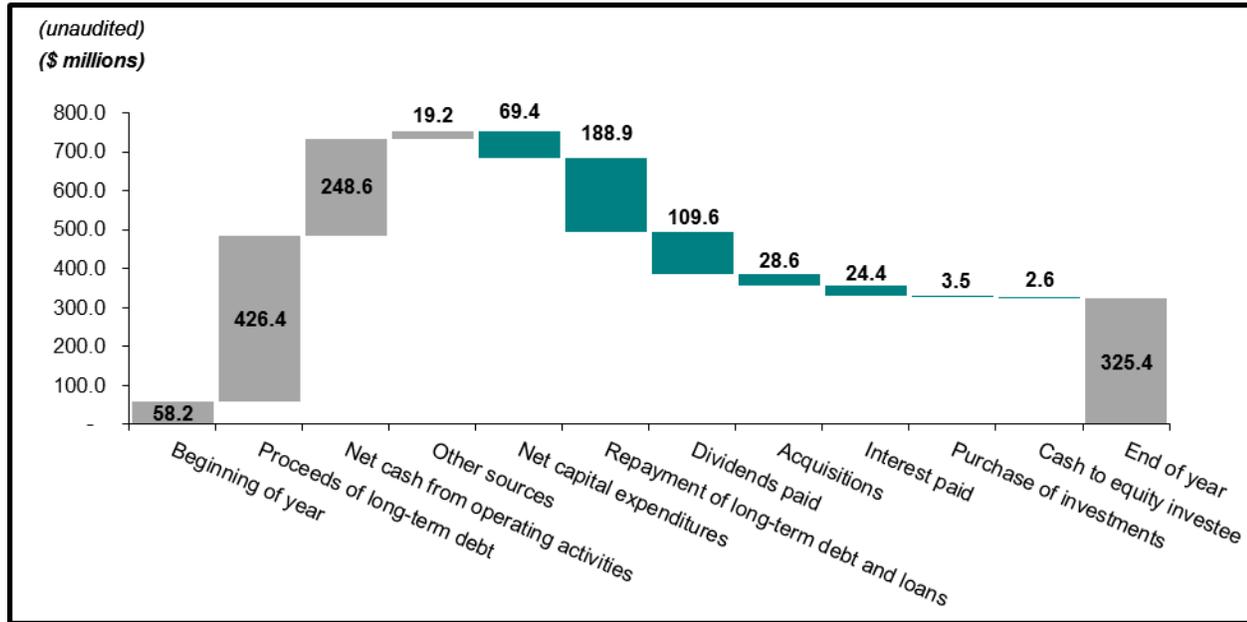
- A \$50.0 million decrease in net capital expenditures¹. In 2014 Mullen Group incurred \$69.4 million of net capital expenditures¹ as compared to \$119.4 million in 2013.
- A \$12.9 million increase in acquisition costs due to the 2014 acquisition of Bernard and Recon as compared to the 2013 acquisition of Jay's.
- A \$3.5 million increase in the purchase of investments.
- A \$2.6 million cash contribution to Kriska Transportation, which consisted of the cash residing within Mill Creek on December 1, 2014.
- A \$2.0 million decrease in other assets due to the combined effect of a \$1.2 million promissory note being issued in conjunction with the equity investment in Canol in 2013 as compared to a \$0.7 million repayment of this promissory note in 2014.

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

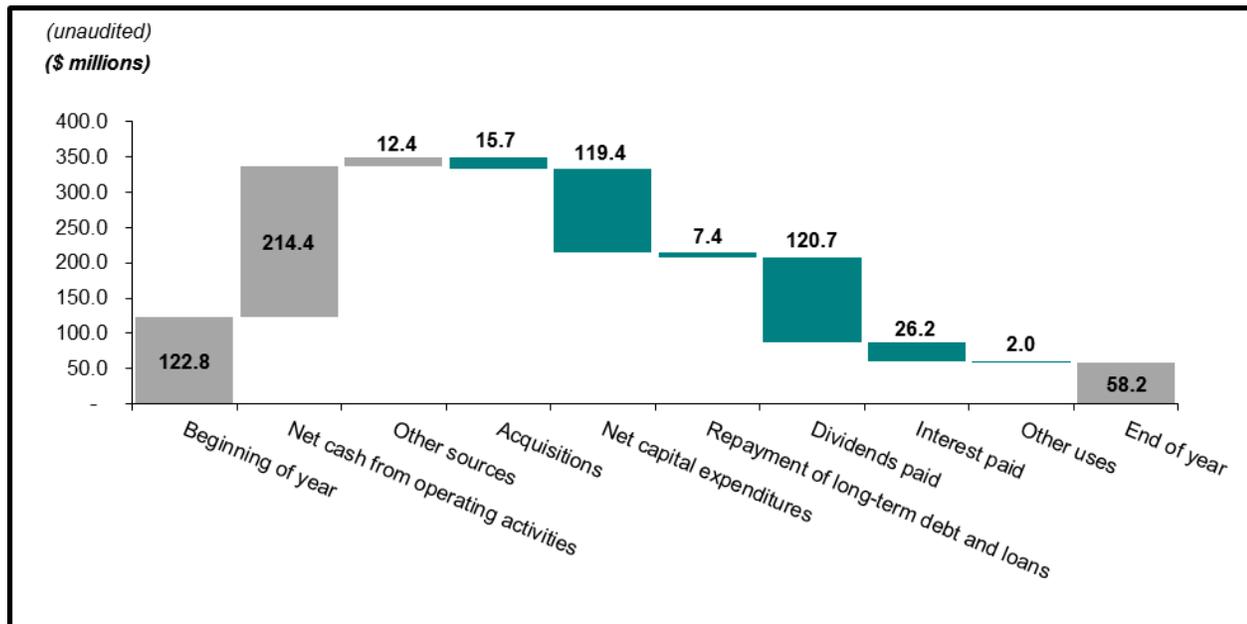


The following charts present the sources and uses of cash for comparative purposes.

Year ended December 31, 2014



Year ended December 31, 2013



In addition to the \$248.6 million (2013 – \$214.4 million) of net cash from operating activities, Mullen Group generated \$426.4 million (2013 – nil) of cash from issuing the 2014 Notes as well as received \$19.2 million (2013 – \$12.4 million) of cash from other sources, which mainly consisted of the change in non-cash working capital items from investing activities, the exercise of stock options and interest income generated on cash and cash equivalents. Cash was used to repay long-term debt and loans of \$188.9 million (2013 – \$7.4 million), pay dividends totalling \$109.6 million (2013 – \$120.7 million), incur net capital expenditures¹ of \$69.4 million (2013 – \$119.4 million), fund acquisitions of \$28.6 million (2013 – \$15.7 million), pay interest obligations of \$24.4 million (2013 – \$26.2 million), contribute \$2.6 million to Kriska Transportation and purchase investments of \$3.5 million (2013 – nil).

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



Working Capital

At December 31, 2014, Mullen Group had \$460.5 million (December 31, 2013 – \$220.8 million) of working capital, which included \$325.4 million (December 31, 2013 – \$58.2 million) of cash and cash equivalents. Mullen Group also had access to additional funding of \$75.0 million from its credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2015 are available to finance Mullen Group's ongoing working capital requirements, dividends declared by the Board, its 2015 capital expenditure budget, as well as various special projects and acquisition opportunities.

Dividends

In 2014 Mullen Group declared monthly dividends of \$0.10 per Common Share totalling \$1.20 per Common Share (2013 – \$1.20 per Common Share). At December 31, 2014, Mullen Group had 91,610,709 Common Shares outstanding and a dividend payable of \$9.2 million (2013 – \$9.1 million), which was paid on January 15, 2015.

On December 17, 2014, Mullen Group's Board announced its intention to continue the practice of paying annual dividends of \$1.20 per Common Share (\$0.10 per Common Share on a monthly basis) for 2015. On January 20, 2015, the Board declared a monthly dividend of \$0.10 per Common Share to be paid on February 16, 2015 to the holders of record at the close of business on January 31, 2015. The Board will continue to consider the amount of and the record date for the monthly dividend.

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Debt

As at December 31, 2014, Mullen Group had net debt¹ outstanding of \$244.5 million, (December 31, 2013 – \$204.5 million), which consisted of total debt of \$705.0 million (December 31, 2013 – \$425.6 million) less working capital (excluding the current portion of long-term debt) of \$460.5 million (December 31, 2013 – \$221.1 million). Total debt is comprised of the Private Placement Debt, Debentures and Various Financing Loans. The following table summarizes Mullen Group's total and net debt¹ as at December 31, 2014, and December 31, 2013:

(\$ millions)	Interest Rate	December 31, 2014		December 31, 2013	
		U.S. Dollar	CDN. Dollar Equivalent	U.S. Dollar	CDN. Dollar Equivalent
Private Placement Debt:					
Series A – matures June 30, 2016 ⁽¹⁾	6.29%	\$ —	\$ —	\$ 100.0	\$ 106.4
Series B – matures June 30, 2018 ⁽¹⁾	6.39%	—	—	50.0	53.2
Series C – matures June 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	98.6	85.0	90.4
Series F – matures September 27, 2017	5.47%	—	20.0	—	20.0
Series G – matures October 22, 2024	3.84%	117.0	135.7	—	—
Series H – matures October 22, 2026	3.94%	112.0	129.9	—	—
Series I – matures October 22, 2024	3.88%	—	30.0	—	—
Series J – matures October 22, 2026	4.00%	—	3.0	—	—
Series K – matures October 22, 2024	3.95%	—	58.0	—	—
Series L – matures October 22, 2026	4.07%	—	80.0	—	—
Bank Credit Facility	variable ⁽²⁾	—	—	—	—
Various Financing Loans	6.3%	—	—	—	0.4
Less:					
Unamortized debt issuance costs		—	(2.3)	—	(0.9)
Long-term debt (including the current portion)		314.0	692.9	235.0	409.5
Debentures – debt component	10.0%	—	12.1	—	16.1
Total debt		\$ 314.0	\$ 705.0	\$ 235.0	\$ 425.6
Less:					
Working capital (excluding the current portion of long-term debt)			460.5		221.1
Net debt⁽³⁾			\$ 244.5		\$ 204.5

⁽¹⁾ The Series A and Series B Notes were repaid on October 24, 2014, prior to maturity at the sole discretion of Mullen Group.

⁽²⁾ Bank prime rate plus 0.5 percent or bankers' acceptance rates plus 1.5 percent.

⁽³⁾ Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP Terms".

Private Placement Debt Financial Covenants

Mullen Group has certain financial covenants under its Private Placement Debt. The terms and thresholds of these financial covenants did not change upon the issuance of the 2014 Notes and the repayment of the Series A and Series B Notes. There are two main financial covenants, as summarized below:

Total Debt to Operating Cash Flow. Mullen Group's total debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term "**total debt**" means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and letters of credit, excluding the Debentures. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve 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 debt to operating cash flow financial covenant under its Private Placement Debt enables the Corporation to include the trailing twelve months operating cash flows for acquisitions. Mullen Group has not included the trailing twelve months of operating cash flows from its most recent acquisitions.

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



Total debt to operating cash flow was calculated as follows:

	December 31 2014		December 31 2013	
Total debt to operating cash flow				
Total debt	\$	694.5	\$	412.5
Operating cash flow	\$	287.4	\$	304.1
Total debt to operating cash flow		2.42:1		1.36:1

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	December 31 2014	December 31 2013
Private Placement Debt Covenants			
(a) Total debt to operating cash flow cannot exceed	3.50:1	2.42:1	1.36:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	5.30:1	9.06:1

Mullen Group's debt-to-equity ratio was 0.78:1 at December 31, 2014, as compared to 0.47:1 at December 31, 2013. This increase in the debt-to-equity ratio was due to the net effect of a \$279.4 million increase in long-term debt (including the current portion) and a \$0.8 million increase in equity as compared to December 31, 2013. The \$279.4 million increase in long-term debt was mainly due to the issuance of the 2014 Notes and the effect of the \$24.9 million unrealized foreign exchange loss on the Corporation's U.S. dollar denominated debt. These items were somewhat offset by the repayment of the Series A and Series B Notes, the \$4.0 million reduction in the debt component of Debentures resulting from conversions and the repayments on certain Various Financing Loans. The \$0.8 million increase in equity mainly resulted from the \$94.6 million of net income recognized in 2014, a \$4.2 million increase from the conversion of Debentures and \$10.1 million from the exercise of stock options. These items were somewhat offset by \$109.7 million of dividends declared to shareholders in 2014.

Contractual Obligations

The following table summarizes the contractual maturities of financial liabilities, excluding interest payments.

(\$ millions)	Maximum Payments				
	Total \$	1 year \$	2 – 3 years \$	4 – 5 years \$	5 years and thereafter \$
Long-term debt	692.9	—	188.3	69.9	434.7
Debentures	12.1	—	—	12.1	—
Total long-term debt	705.0	—	188.3	82.0	434.7
Purchase obligations	36.6	36.6	—	—	—
Operating leases	24.3	7.0	8.1	4.0	5.2
Total Contractual Obligations	765.9	43.6	196.4	86.0	439.9

Mullen Group ended 2014 with long-term debt (including the current portion thereof) of \$692.9 million, an increase of \$283.4 million as compared to the \$409.5 million of long-term debt at the beginning of the year. This increase was due to the issuance of the 2014 Notes and the effect of the \$24.9 million unrealized foreign exchange loss on the Corporation's U.S. dollar denominated debt resulting from the weakening of the Canadian dollar against the U.S. dollar. Mullen Group's long-term debt consists of the Private Placement Debt, which matures in 2016, 2017, 2018, 2024 and 2026.



Mullen Group ended 2014 with a carrying amount of Debentures of \$12.1 million, a \$4.0 million decrease from the \$16.1 million of Debentures at the beginning of the year. This \$4.0 million year over year decrease was due to \$4.3 million of aggregate principal amount of Debentures being converted into Common Shares, which was somewhat offset by a \$0.3 million reclassification of the debt component of the Debentures to equity.

As at December 31, 2014, Mullen Group was committed to capital expenditure purchase obligations totalling \$36.6 million. The majority of these purchase obligations relate to the purchase of real property in Saskatchewan, facilities currently leased by Jay's and to complete the rail transload facility in Edmonton, Alberta. Mullen Group also has some purchase obligations related to the acquisition of trucks and trailers given that certain manufacturers require purchase obligations in advance so that manufacturing can commence and expected delivery times can be met.

The operating lease commitments of \$24.3 million consist mostly of land, building and operating equipment commitments made by Mullen Group's Operating Entities. This is \$13.5 million less than the \$37.8 million committed to in 2013. This decrease in operating lease commitments was mainly due to MT purchasing facilities that were leased from third parties, most notably the facilities leased by Jay's, along with the reduction in the amount outstanding on existing leases as they come closer to expiration. This decrease was somewhat offset by certain new land and building leases being entered into and some existing leases were renewed. There were also some additional operating leases entered into during 2014.

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, 2013	90,662,413	\$ 760.3
Common Shares issued on conversion of Debentures	401,229	4.4
Common Shares issued on exercise of stock options	547,067	12.6
Balance at December 31, 2014	91,610,709	\$ 777.3

At December 31, 2014, Mullen Group had 91,610,709 Common Shares outstanding representing \$777.3 million in share capital, an increase of \$17.0 million as compared to \$760.3 million at December 31, 2013. This increase was mainly due to an additional \$4.4 million recorded on the issuance of 401,229 Common Shares in relation to the conversion of 4,250 Debentures including accrued and unpaid interest and \$12.6 million recorded on the issuance of the 547,067 Common Shares in relation to the exercise of stock options during the period. As at January 31, 2015, there were 91,616,042 Common Shares issued and outstanding.

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)		December 31, 2014		December 31, 2013	
Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
2018	10%	\$ 12.4	\$ 12.1	\$ 16.7	\$ 16.1

As at December 31, 2014, 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 at January 31, 2015, there was no change in Debentures outstanding as compared to December 31, 2014. 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, 2013	1,898,834	\$ 19.82
Granted	115,000	27.78
Exercised	(547,067)	(18.42)
Forfeited	(45,000)	(21.67)
Outstanding – December 31, 2014	1,421,767	\$ 20.94
Exercisable – December 31, 2014	656,767	\$ 18.21

The total number of options available to be issued under the stock option plan cannot exceed 4,000,000. On March 12, 2014, Mullen Group issued 15,000 stock options under its stock option plan at an exercise price of \$27.25 with a vesting date of March 12, 2017. On August 5, 2014, Mullen Group issued 100,000 stock options under its stock option plan at an exercise price of \$27.86 with a vesting date of August 5, 2017. In 2014 there were 547,067 stock options exercised and 45,000 stock options forfeited. As at December 31, 2014, Mullen Group had 1,421,767 stock options outstanding under the stock option plan. As at January 31, 2015, there were 1,416,434 stock options outstanding under the stock option plan.

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SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

A significant portion of Mullen Group's operations 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

(unaudited) (\$ millions, except per share amounts)	TTM ⁽¹⁾	2014				2013			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,427.9	345.2	357.3	313.4	412.0	367.4	374.0	310.3	385.5
Operating income ⁽²⁾	284.7	64.9	76.6	52.0	91.2	71.1	85.8	56.0	87.8
Net income	94.6	22.2	10.5	25.6	36.3	20.3	51.2	27.4	44.4
Earnings per share									
Basic	1.04	0.25	0.11	0.28	0.40	0.22	0.56	0.30	0.50
Diluted	1.02	0.24	0.11	0.28	0.39	0.22	0.56	0.30	0.49
Other Information									
Net unrealized foreign exchange loss (gain)	15.5	4.6	10.1	(9.0)	9.8	7.9	(5.1)	8.4	5.0
Decrease (increase) in fair value of investments	20.7	18.0	2.8	(3.0)	2.9	4.2	(4.3)	(16.3)	(4.5)

⁽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 fourth quarter of 2014 decreased by \$22.2 million, or 6.0 percent, to \$345.2 million as compared to \$367.4 million in 2013. The decrease of \$22.2 million was attributable to a reduction in revenue experienced in the Oilfield Services segment. Revenue in the Oilfield Services segment decreased by \$26.5 million and was due to lower demand for services related to large diameter pipeline construction projects and from a decrease in revenue generated by those Operating Entities involved in the transportation of fluids and servicing of wells, predominately within the heavy oil region of Alberta, which resulted from intense competition. Revenue also decreased due to a reduction in revenue from those Operating Entities most directly tied to oil and natural gas drilling activity in western Canada and from lower demand for core drilling services. These decreases were somewhat offset by strong demand for dewatering services and from the incremental revenue generated from the acquisition of Recon. The Trucking/Logistics segment experienced a \$4.2 million increase in revenue due to the incremental revenue generated from the acquisition of Bernard and a greater demand for general freight services in certain markets. These increases were somewhat offset by lower demand for heavy haul freight services in western Canada as this segment continues to operate in a competitive pricing environment reflective of a slow growth economy. Net income in the fourth quarter of 2014 was \$22.2 million, an increase of \$1.9 million from the \$20.3 million generated in 2013. The \$1.9 million increase in net income was mainly attributable to a \$9.0 million increase in the gain on sale of property, plant and equipment, a \$10.8 million gain on sale of Mill Creek and a \$3.3 million positive variance in net unrealized foreign exchange. These increases were partially offset by a \$13.8 million negative variance in the fair value of investments and a \$6.2 million decrease in operating income¹.

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



As a result, basic earnings per share in the fourth quarter of 2014 was \$0.25, an increase of \$0.03 per share, from the \$0.22 generated in 2013.

Consolidated revenue in the third quarter of 2014 decreased by \$16.7 million, or 4.5 percent, to \$357.3 million as compared to \$374.0 million in 2013. The decrease of \$16.7 million was attributable to a reduction in revenue experienced in the Oilfield Services segment. Revenue in the Oilfield Services segment decreased by \$18.2 million and was mainly due to lower demand for services related to large diameter pipeline construction projects and from a decrease in revenue generated by those Operating Entities involved in the transportation of fluids and servicing of wells, which resulted from intense competition in certain markets. The Trucking/Logistics segment experienced a \$1.1 million increase in revenue as this segment continues to operate in an environment reflective of a slow growth economy as greater demand for general freight services was largely offset by lower demand for the transportation of pneumatic bulk commodities and heavy haul freight services in western Canada. Net income in the third quarter of 2014 was \$10.5 million, a decrease of \$40.7 million from the \$51.2 million generated in 2013. The \$40.7 million decrease in net income was mainly attributable to a \$19.0 million one-time expense related to the prepayment of the Series A and Series B Notes, a \$15.2 million negative variance in net unrealized foreign exchange, a \$9.2 million decrease in operating income¹ and a \$7.1 million negative variance in the fair value of investments. These decreases were partially offset by a \$9.0 million decrease in income tax expense. As a result, basic earnings per share in the third quarter of 2014 was \$0.11, a decrease of \$0.45 per share from the \$0.56 generated in 2013.

Consolidated revenue in the second quarter of 2014 increased by \$3.1 million, or 1.0 percent, to \$313.4 million as compared to \$310.3 million in 2013. The increase of \$3.1 million was attributable to greater revenue experienced in both the Trucking/Logistics and Oilfield Services segments. Revenue in the Oilfield Services segment increased by \$2.3 million and was primarily due to increased demand for services from those Operating Entities most directly tied to oil and natural gas drilling activity in western Canada. The Trucking/Logistics segment experienced a \$0.6 million increase in revenue and was mainly due to the acquisition of Jay's. Net income in the second quarter of 2014 was \$25.6 million, a decrease of \$1.8 million from the \$27.4 million generated in 2013. The \$1.8 million decrease in net income was mainly attributable to a \$13.3 million negative variance in the fair value of investments, a \$4.0 million decrease in operating income¹ and a \$3.8 million increase in loss on sale of property, plant and equipment. These decreases were somewhat offset by a \$17.4 million positive variance in net unrealized foreign exchange. As a result, basic earnings per share in the second quarter of 2014 was \$0.28, a decrease of \$0.02 per share from the \$0.30 generated in 2013.

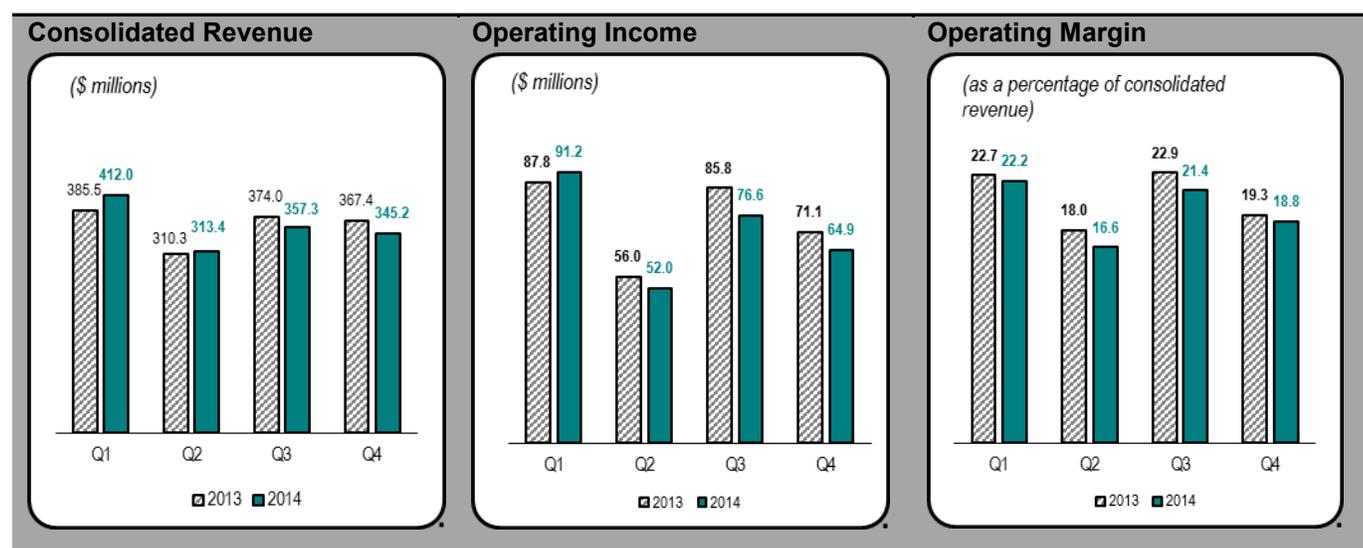
Consolidated revenue in the first quarter of 2014 increased by \$26.5 million, or 6.9 percent, to \$412.0 million as compared to \$385.5 million in 2013. The increase of \$26.5 million was attributable to greater revenue experienced in both the Oilfield Services and Trucking/Logistics segments. Revenue in the Oilfield Services segment increased by \$15.0 million and was primarily due to increased demand for fluid hauling and related production services and greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced an increase in revenue due to the acquisition of Jay's. Net income in the first quarter of 2014 was \$36.3 million, a decrease of \$8.1 million from the \$44.4 million generated in 2013. The \$8.1 million decrease in net income was mainly attributable to a \$7.4 million negative variance in the fair value of investments and a \$4.8 million negative variance in net unrealized foreign exchange. These decreases were partially offset by a \$3.4 million increase in operating income¹ and a \$0.9 million decrease in income tax expense. As a result, basic earnings per share in the first quarter of 2014 was \$0.40, a decrease of \$0.10 per share, from the \$0.50 generated in 2013.

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



FOURTH QUARTER 2014 – CONSOLIDATED FINANCIAL RESULTS

Summary – Trailing Eight Quarters



Consolidated fourth quarter financial results were below the prior year levels, and below our expectations, due to the under performance of the Oilfield Services segment. This decline was due to a number of factors including: drilling activity levels in western Canada that were lower than anticipated; increased competition experienced by those Operating Entities involved in the transportation of fluids and servicing of wells; and the timing of large diameter pipeline construction projects. In terms of overall industry activity levels, the demand for services was slightly greater than the prior year, however, this increased demand was offset by even greater capacity resulting in intense competition. In contrast, results in the Trucking/Logistics segment improved modestly as compared to the same period last year reflecting increased demand for services within this segment.

Revenue

Q4 Consolidated Revenue Three month periods ended December 31 (unaudited) (\$ millions)						
	2014		2013		Change	
	\$	%	\$	%	\$	%
Company	202.3	58.6	220.5	60.0	(18.2)	(8.3)
Contractors	141.4	41.0	145.3	39.5	(3.9)	(2.7)
Other	1.5	0.4	1.6	0.5	(0.1)	(6.2)
Total	345.2	100.0	367.4	100.0	(22.2)	(6.0)

Consolidated revenue in the fourth quarter decreased by \$22.2 million, or 6.0 percent, to \$345.2 million as compared to \$367.4 million in 2013. The majority of this decrease in revenue was directly attributable to the Oilfield Services segment, which decreased by \$26.5 million, or 11.7 percent, to \$199.6 million as compared to \$226.1 million in the same period one year earlier. The decrease in segment revenue was primarily due to the decrease in revenue by those Operating Entities involved in the transportation of fluids and servicing of wells as well as the expected decline in revenue related to large diameter pipeline construction projects. Revenue in the Trucking/Logistics segment increased by \$4.2 million, or 3.0 percent, to \$146.1 million from \$141.9 million due to improved demand for general freight services and the acquisition of Bernard being partially offset by a decline in revenue due to Mill Creek's financial results no longer being consolidated by Mullen Group as of December 1, 2014.

Revenue related to Company Equipment decreased by \$18.2 million, or 8.3 percent, to \$202.3 million as compared to \$220.5 million in 2013. This decrease was largely due to a decrease in revenue experienced by the Oilfield Services segment. Revenue related to Company Equipment represented 58.6 percent of consolidated revenue in the current period compared to 60.0 percent in 2013. Revenue related to Contractors decreased by \$3.9 million, or 2.7 percent, to \$141.4 million as compared to \$145.3 million in 2013. Revenue related to Contractors represented 41.0 percent of consolidated revenue in the current period as compared to 39.5 percent in 2013.



Direct Operating Expenses

Q4 Consolidated Direct Operating Expenses						
Three month periods ended December 31						
(unaudited) (\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
	Company					
Wages and benefits	53.4	26.4	59.7	27.1	(6.3)	(10.6)
Fuel	19.4	9.6	24.0	10.9	(4.6)	(19.2)
Repairs and maintenance	31.7	15.7	34.8	15.8	(3.1)	(8.9)
Operating supplies	20.4	10.1	19.4	8.8	1.0	5.2
Other	9.4	4.6	10.3	4.6	(0.9)	(8.7)
	134.3	66.4	148.2	67.2	(13.9)	(9.4)
Contractors	107.2	75.8	109.3	75.2	(2.1)	(1.9)
Total	241.5	70.0	257.5	70.1	(16.0)	(6.2)

*as a percentage of respective Consolidated revenue

DOE were \$241.5 million in the fourth quarter as compared to \$257.5 million in 2013. The decrease of \$16.0 million, or 6.2 percent, was directly related to the \$22.2 million decrease in consolidated revenue. As a percentage of revenue these expenses decreased slightly to 70.0 percent as compared to 70.1 percent in 2013.

DOE associated with Company Equipment decreased to \$134.3 million from \$148.2 million in 2013. The decrease of \$13.9 million, or 9.4 percent, was directly related to the decrease in Company revenue, most notably from the Oilfield Services segment. As a percentage of Company revenue these expenses decreased by 0.8 percent to 66.4 percent as compared to 67.2 percent in 2013, mainly due to improved margins experienced within the Trucking/Logistics segment largely as a result of lower fuel expense.

Contractors expense in the fourth quarter decreased by \$2.1 million to \$107.2 million, as compared to \$109.3 million in 2013. This decrease was directly related to the \$3.9 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 0.6 percent to 75.8 percent as compared to 75.2 percent in 2013, mainly due to increased costs within the Trucking/Logistics segment.

Selling and Administrative Expenses

Q4 Consolidated Selling and Administrative Expenses						
Three month periods ended December 31						
(unaudited) (\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
	Wages and benefits	20.9	6.1	20.6	5.6	0.3
Communications, utilities and general supplies	11.5	3.3	10.7	2.9	0.8	7.5
Profit share	4.2	1.2	4.8	1.3	(0.6)	(12.5)
Foreign exchange	(2.4)	(0.7)	(0.8)	(0.2)	(1.6)	200.0
Stock-based compensation	0.2	0.1	0.8	0.2	(0.6)	(75.0)
Rent and other	4.4	1.2	2.7	0.8	1.7	63.0
Total	38.8	11.2	38.8	10.6	—	—

*as a percentage of total Consolidated revenue

S&A expenses were \$38.8 million in the fourth quarter, which was consistent with the \$38.8 million in 2013. Rent and other expenses increased by \$1.7 million mainly due to an increase in bad debt reserves in the Oilfield Services segment. This increase was almost entirely offset by the \$1.6 million positive variance in foreign exchange. S&A expenses as a percentage of consolidated revenue increased by 0.6 percent to 11.2 percent in comparison to 10.6 percent in 2013 due to the overall fixed nature of these expenses relative to the \$22.2 million decrease in revenue.



Operating Income

Operating income¹ for the quarter decreased to \$64.9 million, or 8.7 percent, compared to \$71.1 million in 2013. The decrease of \$6.2 million was due to the combination of a \$9.4 million decrease in the Oilfield Services segment, a \$2.3 million increase in the Trucking/Logistics segment as well as the decrease in Corporate costs that declined by \$0.9 million on a year over year basis. As a percentage of consolidated revenue, operating income¹ decreased to 18.8 percent as compared to 19.3 percent in 2013 due to a reduction in margin experienced by the Oilfield Services segment.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was \$17.9 million in the fourth quarter as compared to \$18.5 million in 2013. The decrease of \$0.6 million was attributable to a lower amount of depreciation being recorded in the Oilfield Services segment. Depreciation in the Oilfield Services segment decreased by \$0.6 million due to the sale of older assets by certain Operating Entities combined with the Corporation's declining balance method of depreciation. Somewhat offsetting this decrease was an increase in depreciation due to the acquisition of Recon. Depreciation in the Corporate Office and the Trucking/Logistics segment remained relatively consistent on a year over year basis.

Amortization of Intangible Assets

Amortization of intangible assets was \$4.3 million in the fourth quarter as compared to \$3.8 million in 2013. The increase of \$0.5 million resulted from the additional amortization recorded on the intangible assets associated with the acquisition of Bernard and Recon. This increase was partially offset by the reduction in amortization recorded on certain Operating Entities' intangible assets that have become fully amortized.

Finance Costs

Finance costs were \$8.7 million in the fourth quarter as compared to \$6.6 million in 2013. This increase of \$2.1 million was mainly attributable to a \$1.0 million expense related to the one-time prepayment of the Series A and Series B Notes on October 24, 2014. For more information regarding the prepayment expense, refer to the Private Placement and Capital Allocations section beginning on page 13. This increase was also attributable to a greater amount of interest expense being recorded on the U.S. dollar debt as a result of a weakening in the Canadian dollar as compared to the U.S. dollar. These increases were somewhat offset by lower interest expense being recorded on the Debentures due to conversions.

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



Net Unrealized Foreign Exchange Loss

The components of net unrealized foreign exchange loss were as follows:

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31		
	CDN. \$ Equivalent		
	2014		2013
Unrealized foreign exchange loss on U.S. debt	11.7		7.9
Unrealized foreign exchange (gain) on Cross-Currency Swaps	(7.1)		—
Net unrealized foreign exchange loss	4.6		7.9

Unrealized Foreign Exchange Loss on U.S. Debt

Mullen Group recorded an unrealized foreign exchange loss of \$11.7 million in the fourth quarter related to the Corporation's U.S. dollar denominated debt due to the change in value of the Canadian dollar against the U.S. dollar during the quarter. For the same period in 2013, Mullen Group recorded an unrealized foreign exchange loss of \$7.9 million due to the \$0.03 weakening of the Canadian dollar against the U.S. dollar. The details of the unrealized foreign exchange loss on U.S. debt is summarized in the table below.

<i>(unaudited)</i> (\$ millions, except exchange rate amount)	Three month periods ended December 31					
	2014			2013		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Beginning – September 30	235.0	1.1200	263.2	235.0	1.0303	242.1
Add: Series G and Series H Notes	229.0	1.1262	257.9	—	—	—
Less: Repayment of Series A and Series B Notes	(150.0)	1.1233	(168.5)	—	—	—
Subtotal	314.0		352.6	235.0		242.1
Ending – December 31	314.0	1.1601	364.3	235.0	1.0636	250.0
Unrealized foreign exchange loss on U.S. debt			11.7			7.9

Unrealized Foreign Exchange Gain on Cross-Currency Swaps

Mullen Group recorded an unrealized foreign exchange gain on Cross-Currency Swaps of \$7.1 million in the fourth quarter. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below.

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31			
	2014		2013	
	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	117.0	(3.5)	—	—
Cross-Currency Swap maturing October 22, 2026	112.0	(3.6)	—	—
Unrealized foreign exchange (gain) on Cross-Currency Swaps		(7.1)		—



Other (Income) Expense

Other income was \$1.6 million in the fourth quarter of 2014 as compared to \$4.4 million of other expense in 2013. The \$6.0 million positive variance was due to the factors set forth below.

Change in Fair Value of Investments (negative variance of \$13.8 million). Mullen Group recorded a decrease in the fair value of investments of \$18.0 million in the fourth quarter as compared to a \$4.2 million decrease in 2013. There were no investments purchased or sold in either the fourth quarter of 2014 or 2013.

Gain or loss on Sale of Property, Plant and Equipment (positive variance of \$9.0 million). Mullen Group recognized a gain of \$8.8 million on sale of property, plant and equipment on total consolidated proceeds on sale of \$35.5 million in the fourth quarter as compared to a \$0.2 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of \$5.5 million in 2013. The \$8.8 million gain on sale of property, plant and equipment in 2014 mainly resulted from the sale of non-core real property located in Edmonton, Alberta. The \$0.2 million loss on sale of property, plant and equipment in 2013 resulted from the sale of older assets by Operating Entities within the Oilfield Services segment.

Gain on Sale of Mill Creek (positive variance of \$10.8 million). On December 1, 2014, Mullen Group entered into a share transfer agreement whereby it contributed its 100.0 percent interest in Mill Creek in exchange for a 30.0 percent equity interest in Kriska Transportation. As such, Mullen Group recognized a gain of \$10.8 million on the contribution of Mill Creek to Kriska Transportation as the fair value of Mill Creek exceeded the corresponding book value.

Earnings from Equity Investments (negative variance of \$33,000). Mullen Group recognized a \$5,000 loss on earnings from equity investments in the fourth quarter of 2014 as compared to \$28,000 of earnings in 2013.

Income Taxes

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31	
	2014	2013
Income before income taxes	\$ 31.0	\$ 29.9
Combined statutory tax rate	26%	25%
Expected income tax	8.1	7.5
Add (deduct):		
Non-deductible portion of net unrealized foreign exchange loss	0.5	1.0
Non-deductible portion of the change in fair value of investments	2.3	0.5
Stock-based compensation expense	0.1	0.2
Other	(2.2)	0.4
Income tax expense	\$ 8.8	\$ 9.6

Income tax expense decreased to \$8.8 million in the fourth quarter as compared to \$9.6 million in 2013.



Net Income

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended December 31		
	2014	2013	% Change
Net income	\$ 22.2	\$ 20.3	9.4
Weighted average number of Common Shares outstanding	91,608,111	90,559,236	1.2
Earnings per share – basic	\$ 0.25	\$ 0.22	13.6

Net income increased to \$22.2 million in the fourth quarter as compared to \$20.3 million in 2013. The factors contributing to the increase in net income include:

- a \$10.8 million increase in gain on sale of Mill Creek;
- a \$9.0 million increase in gain on sale of property, plant and equipment;
- a \$3.3 million positive variance in net unrealized foreign exchange;
- a \$0.8 million decrease in income tax expense; and
- a \$0.6 million decrease in depreciation of property, plant and equipment.

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

- a \$13.8 million negative variance in the fair value of investments;
- a \$6.2 million decrease in operating income¹;
- a \$2.1 million increase in finance costs; and
- a \$0.5 million increase in amortization of intangibles.

Basic earnings per share increased to \$0.25 in 2014 as compared to \$0.22 in 2013. This increase resulted from the combined effect of the \$1.9 million increase in net income and an increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 90,559,236 to 91,608,111 due to the issuance of Common Shares on the conversion of Debentures and from the exercise of stock options.

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¹ Refer to the section entitled "Glossary of Terms and Reconciliation of Non-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 one-time expense related to the prepayment of the Series A and Series B Notes, the net unrealized foreign exchange gain or loss, the gain on sale of Mill Creek 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.

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended December 31	
	2014	2013
Income before income taxes	\$ 31.0	\$ 29.9
Add (deduct):		
Gain on sale of Mill Creek	(10.8)	—
Finance costs – adjustment (Series A and Series B Notes)	1.0	—
Net unrealized foreign exchange loss	4.6	7.9
Change in fair value of investments	18.0	4.2
Income before income taxes – adjusted	43.8	42.0
Income tax rate	26%	25%
Computed expected income tax expense	(11.4)	(10.5)
Net income – adjusted ⁽¹⁾	32.4	31.5
Weighted average number of Common Shares outstanding – basic	91,608,111	90,559,236
Earnings per share – adjusted ⁽¹⁾	\$ 0.36	\$ 0.35

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

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FOURTH QUARTER 2014 – SEGMENTED INFORMATION

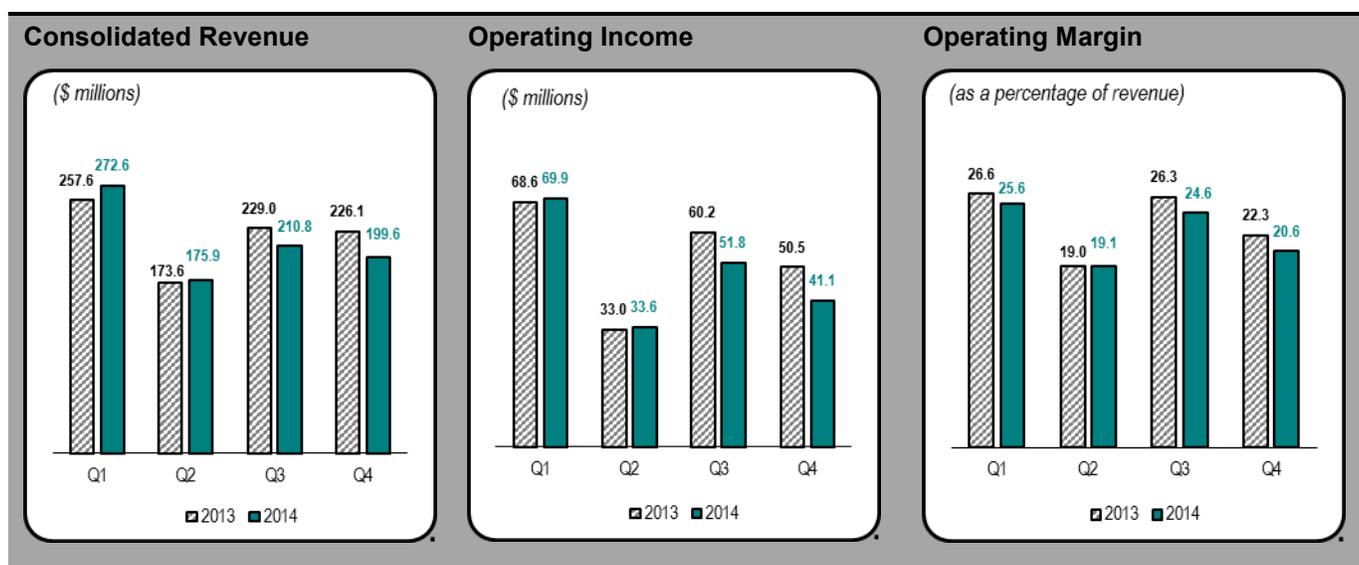
Three month period ended December 31, 2014 (unaudited) (\$ millions)	Oilfield Services	Trucking /Logistics	Corporate and Intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	199.6	146.1	(0.5)	345.2
Direct operating expenses	137.2	105.9	(1.6)	241.5
Selling and administrative expenses	21.3	16.0	1.5	38.8
Operating income ⁽¹⁾	41.1	24.2	(0.4)	64.9

Three month period ended December 31, 2013 (unaudited) (\$ millions)	Oilfield Services	Trucking /Logistics	Corporate and Intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	226.1	141.9	(0.6)	367.4
Direct operating expenses	155.2	104.4	(2.1)	257.5
Selling and administrative expenses	20.4	15.6	2.8	38.8
Operating income ⁽¹⁾	50.5	21.9	(1.3)	71.1

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

OILFIELD SERVICES SEGMENT

Summary – Trailing Eight Quarters



Industry Statistics

Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, increased in the fourth quarter of 2014 as compared to the prior year. Industry statistics indicate that the average monthly active rig count was 384 rigs during the quarter as compared to 370 active rigs in 2013, an increase of 14 rigs or 3.8 percent. Total wells drilled increased by 4.1 percent to 3,111 wells drilled as compared to 2,989 wells drilled in 2013. The length of metres drilled within such wells increased by 3.0 percent to 6.55 million metres as compared to 6.36 million metres in 2013.



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

	Three month periods ended December 31			
	2014	2013	# Change	% Change
British Columbia	178	169	9	5.3
Alberta	1,751	1,704	47	2.8
Saskatchewan	1,016	987	29	2.9
Manitoba	166	129	37	28.7
Northwest Territories	—	—	—	—
Total	3,111	2,989	122	4.1

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

Revenue

Q4 Revenue – Oilfield Services						
Three month periods ended December 31						
(unaudited) (\$ millions)	2014		2013		Change	
	\$	%	\$	%	\$	%
Company	128.6	64.4	149.2	66.0	(20.6)	(13.8)
Contractors	70.1	35.1	75.8	33.5	(5.7)	(7.5)
Other	0.9	0.5	1.1	0.5	(0.2)	(18.2)
Total	199.6	100.0	226.1	100.0	(26.5)	(11.7)

The Oilfield Services segment generated 57.7 percent of pre-consolidated revenue for the fourth quarter as compared to 61.4 percent in 2013. Revenue in this segment decreased by \$26.5 million, or 11.7 percent, to \$199.6 million as compared to \$226.1 million in 2013, primarily due to intense competition and the timing of large diameter pipeline construction projects. Specifically, the \$26.5 million decrease in segment revenue was due to the net effect of the following:

- a \$10.2 million decrease in revenue generated by those Operating Entities involved in the transportation of fluids and servicing of wells due to a combination of intense competition and pricing pressures in a number of markets;
- an \$8.2 million decrease in revenue generated by those Operating Entities most directly tied to oil and natural gas drilling activity due to intense competition and the exit of some unprofitable markets;
- a \$4.7 million decrease in revenue generated by those Operating Entities providing drilling services due to the cancellation of winter core drilling programs; and
- a \$3.3 million decrease in revenue generated by those Operating Entities providing specialized services primarily due to a \$10.7 million decrease in revenue related to services associated with large diameter pipeline construction projects being somewhat offset by an increase in demand for water management and other services and \$1.3 million of incremental revenue due to the acquisition of Recon.

Revenue related to Company Equipment decreased by \$20.6 million, or 13.8 percent, to \$128.6 million as compared to \$149.2 million in 2013. Revenue related to Company Equipment represented 64.4 percent of segment revenue in the current period compared to 66.0 percent in 2013. Revenue related to Contractors decreased by \$5.7 million, or 7.5 percent, to \$70.1 million as compared to \$75.8 million in 2013. Revenue related to Contractors represented 35.1 percent of segment revenue in the current period as compared to 33.5 percent in 2013.



Direct Operating Expenses

Q4 Direct Operating Expenses – Oilfield Services						
Three month periods ended December 31						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	33.3	25.9	39.7	26.6	(6.4)	(16.1)
Fuel	11.1	8.6	14.6	9.8	(3.5)	(24.0)
Repairs and maintenance	21.9	17.0	24.6	16.5	(2.7)	(11.0)
Operating supplies	12.9	10.0	13.4	9.0	(0.5)	(3.7)
Other	4.6	3.7	5.3	3.5	(0.7)	(13.2)
	83.8	65.2	97.6	65.4	(13.8)	(14.1)
Contractors	53.4	76.2	57.6	76.0	(4.2)	(7.3)
Total	137.2	68.7	155.2	68.6	(18.0)	(11.6)

*as a percentage of respective Oilfield Services revenue

DOE were \$137.2 million in the fourth quarter as compared to \$155.2 million in 2013. The decrease of \$18.0 million, or 11.6 percent, was proportionate to the 11.7 percent decrease in segment revenue during the quarter. As a percentage of revenue these expenses increased by 0.1 percent to 68.7 percent compared to 68.6 percent in 2013.

DOE associated with Company Equipment in the fourth quarter decreased to \$83.8 million from \$97.6 million in 2013. The decrease of \$13.8 million, or 14.1 percent, was proportionate to the 13.8 percent decrease in Company revenue. As a percentage of Company revenue these expenses decreased slightly to 65.2 percent as compared to 65.4 percent in 2013. Company expenses as a percentage of Company revenue decreased by 0.2 percent due to the net effect of the following:

- the 1.2 percent reduction in fuel expense as a percentage of revenue due to the decline in diesel fuel prices;
- the greater focus on efficiency and cost control, which was somewhat offset by higher repairs and maintenance expense as a percentage of revenue due to cost inflation related to a weaker Canadian dollar;
- the reduction in higher margin revenue generated by our Operating Entities involved in the large diameter pipeline construction and core drilling due to the completion of certain projects in 2013 and the cancellation of winter core drilling programs; and
- an increase in operating supplies expense due to an increase in sales of industrial pumps associated with our water management business.

Contractors expense in the fourth quarter decreased by \$4.2 million to \$53.4 million as compared to \$57.6 million in 2013. As a percentage of Contractors revenue, Contractors expense was 76.2 percent as compared to 76.0 percent in 2013.



Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Oilfield Services						
Three month periods ended December 31						
(unaudited) (\$ millions)	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	10.4	5.2	10.5	4.6	(0.1)	(1.0)
Communications, utilities and general supplies	6.3	3.2	5.8	2.6	0.5	8.6
Profit share	2.3	1.2	3.1	1.4	(0.8)	(25.8)
Rent and other	2.3	1.1	1.0	0.4	1.3	130.0
Total	21.3	10.7	20.4	9.0	0.9	4.4

*as a percentage of total Oilfield Services revenue

S&A expenses were \$21.3 million in the fourth quarter as compared to \$20.4 million in 2013. This \$0.9 million increase was primarily due to the rise in miscellaneous expense due to increased bad debt allowances as well as incremental S&A expenses associated with the acquisition of Recon. S&A expenses as a percentage of segment revenue increased by 1.7 percent to 10.7 percent in comparison to 9.0 percent in 2013 due to the overall fixed nature of these expenses relative to the \$26.5 million decrease in revenue.

Operating Income

Operating income¹ in the fourth quarter decreased 18.6 percent to \$41.1 million. The \$9.4 million year over year decrease can be attributed to the \$26.5 million loss of revenue. Specifically, operating income¹ decreased due to the net effect of the following:

- a \$2.8 million decrease relating to those Operating Entities leveraged to the oil sands and pipeline construction projects;
- a \$2.5 million decrease from Operating Entities tied to drilling related activity;
- a \$2.3 million decrease in those Operating Entities involved in the transportation of fluids and servicing of wells; and
- a \$1.8 million decrease relating to those Operating Entities involved in drilling services including core drilling.

Operating income¹ represented as a percentage of segment revenue decreased to 20.6 percent in the fourth quarter from 22.3 percent in 2013, primarily due to the increase in S&A expenses as a percentage of revenue.

Capital Expenditures

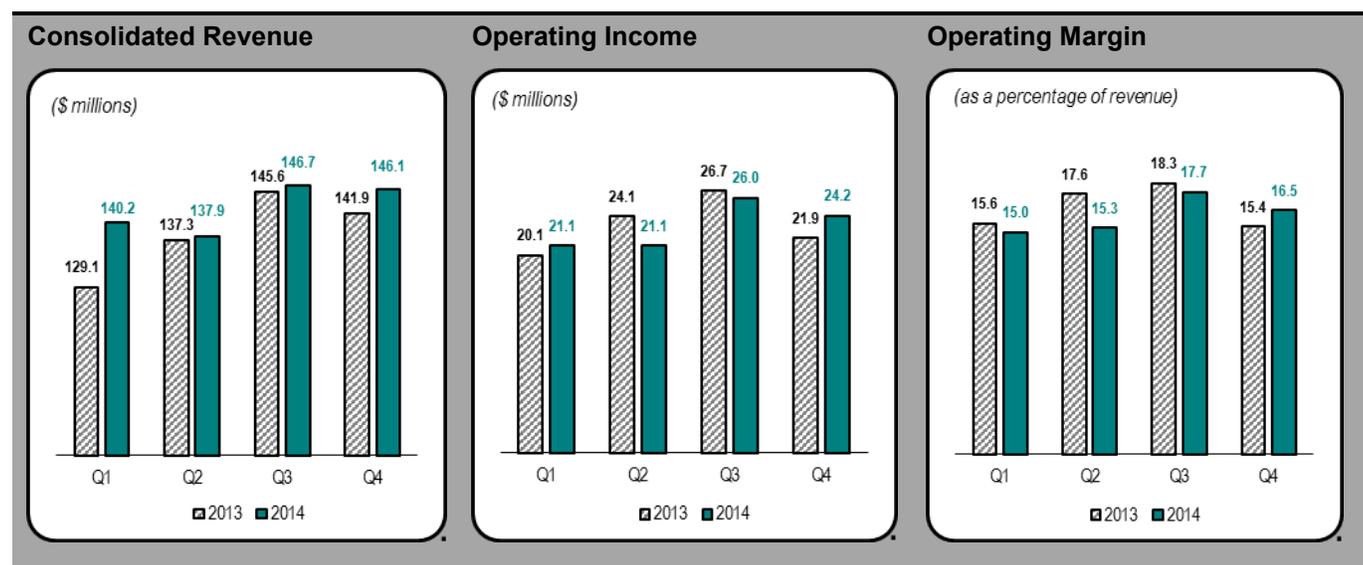
Net capital expenditures¹ were \$17.8 million in the fourth quarter, an increase of \$11.0 million as compared to \$6.8 million in 2013. The Oilfield Services segment had gross capital expenditures of \$21.7 million and dispositions of \$3.9 million for net capital expenditures¹ of \$17.8 million in 2014. Gross capital expenditures mainly consisted of additional equipment for those Operating Entities involved in the transportation of fluids and the servicing of wells and from those Operating Entities most directly tied to oil and natural gas drilling activity in western Canada that were ordered in 2013 to meet the anticipated demand for our services. The majority of the dispositions related to the sale of older trucks and trailers. In 2013 gross capital expenditures were \$10.4 million and dispositions were \$3.6 million for net capital expenditures¹ of \$6.8 million.

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



TRUCKING/LOGISTICS SEGMENT

Summary – Trailing Eight Quarters



General economic activity, and in particular the western Canadian economy, is the main driver of demand levels for our Trucking/Logistics segment. Early estimates indicate that the Canadian economy grew by 2.5 percent during the fourth quarter of 2014. This represents a modest slowing from the 2.8 percent recorded in the third quarter. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services.

Revenue

Q4 Revenue – Trucking/Logistics						
Three month periods ended December 31						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2014		2013		Change	
	\$	%	\$	%	\$	%
Company	73.7	50.4	71.3	50.2	2.4	3.4
Contractors	72.2	49.4	70.4	49.6	1.8	2.6
Other	0.2	0.2	0.2	0.2	—	—
Total	146.1	100.0	141.9	100.0	4.2	3.0

The Trucking/Logistics segment generated 42.3 percent of pre-consolidated revenue for the fourth quarter as compared to 38.6 percent in 2013. Revenue in this segment increased by \$4.2 million, or 3.0 percent, to \$146.1 million as compared to \$141.9 million in 2013 due to increased demand for our general freight services as well as \$1.5 million of incremental revenue resulting from the acquisition of Bernard. These increases in revenue were somewhat offset by a decline in revenue due to Mill Creek's financial results no longer being consolidated by Mullen Group as of December 1, 2014. In addition, revenue declined due to a \$0.7 million decrease in fuel surcharge revenue, which decreased to \$13.9 million from \$14.6 million in 2013.

Revenue related to Company Equipment increased by \$2.4 million, or 3.4 percent, to \$73.7 million as compared to \$71.3 million in 2013. Revenue related to Company Equipment represented 50.4 percent of segment revenue in the current period compared to 50.2 percent in 2013. Revenue related to Contractors increased by \$1.8 million, or 2.6 percent, to \$72.2 million as compared to \$70.4 million in 2013. Revenue related to Contractors represented 49.4 percent of segment revenue in the current period as compared to 49.6 percent in 2013.



Direct Operating Expenses

Q4 Direct Operating Expenses – Trucking/Logistics						
Three month periods ended December 31						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	20.1	27.3	20.1	28.2	—	—
Fuel	8.4	11.4	9.4	13.2	(1.0)	(10.6)
Repairs and maintenance	9.8	13.3	10.2	14.3	(0.4)	(3.9)
Operating supplies	7.6	10.3	6.1	8.6	1.5	24.6
Other	5.4	7.3	5.9	8.2	(0.5)	(8.5)
	51.3	69.6	51.7	72.5	(0.4)	(0.8)
Contractors	54.6	75.6	52.7	74.9	1.9	3.6
Total	105.9	72.5	104.4	73.6	1.5	1.4

*as a percentage of respective Trucking/Logistics revenue

DOE were \$105.9 million in the fourth quarter as compared to \$104.4 million in 2013. The increase of \$1.5 million, or 1.4 percent, was directly related to the 3.0 percent increase in segment revenue. Overall as a percentage of revenue these expenses decreased by 1.1 percent to 72.5 percent as compared to 73.6 percent in 2013.

DOE related to Company Equipment decreased by \$0.4 million to \$51.3 million from \$51.7 million in 2013, even though Company revenue increased by \$2.4 million. In terms of a percentage of revenue, Company expenses decreased by 2.9 percent to 69.6 percent as compared to 72.5 percent in 2013. This was due to the combined effect of the following:

- fuel expenses that decreased by 1.8 percent of Company revenue to 11.4 percent, or \$8.4 million, as compared to 13.2 percent or \$9.4 million in 2013 as a result of decreased diesel prices and lagging fuel surcharge revenue;
- repairs and maintenance expense that decreased by 1.0 percent of Company revenue to 13.3 percent, or \$9.8 million, as compared to 14.3 percent or \$10.2 million in 2013, mainly due to cost control initiatives;
- wage and benefit expense that decreased by 0.9 percent of Company revenue to 27.3 percent as compared to 28.2 percent in 2013 due to a cost control initiatives; and
- operating supplies that increased by 1.7 percent of Company revenue to 10.3 percent, or \$7.6 million, as compared to 8.6 percent or \$6.1 million in 2013, mainly due to an increase in sales of industrial and aggregate products.

Contractors expense in the fourth quarter increased by \$1.9 million to \$54.6 million as compared to \$52.7 million in 2013 that was generally in line with the increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 75.6 percent as compared to 74.9 percent in 2013 due to the increased use of subcontractors in certain markets.



Selling and Administrative Expenses

Q4 Selling and Administrative Expenses – Trucking/Logistics						
Three month periods ended December 31						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2014		2013		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	9.2	6.3	9.1	6.4	0.1	1.1
Communications, utilities and general supplies	4.4	3.0	4.1	2.9	0.3	7.3
Profit share	1.9	1.3	1.7	1.2	0.2	11.8
Foreign exchange	(0.6)	(0.4)	(0.4)	(0.3)	(0.2)	50.0
Rent and other	1.1	0.8	1.1	0.8	—	—
Total	16.0	11.0	15.6	11.0	0.4	2.6

*as a percentage of total Trucking/Logistics revenue

S&A expenses were \$16.0 million in the fourth quarter as compared to \$15.6 million in 2013. The increase of \$0.4 million was primarily due to the incremental costs associated with the acquisition of Bernard. S&A expenses as a percentage of segment revenue remained constant at 11.0 percent.

Operating Income

Operating income¹ for the fourth quarter increased to \$24.2 million, or 10.5 percent, compared to \$21.9 million generated in the same period last year. The increase of \$2.3 million resulted from higher margins generated on Company Equipment. As a percentage of segment revenue, operating income¹ increased to 16.6 percent as compared to 15.4 percent in 2013.

Capital Expenditures

Net capital expenditures¹ were \$1.7 million in the fourth quarter, a decrease of \$2.8 million as compared to \$4.5 million in 2013. The Trucking/Logistics segment had gross capital expenditures of \$2.6 million and dispositions of \$0.9 million for net capital expenditures¹ of \$1.7 million in 2014. Gross capital expenditures mainly consisted of the purchase of trucks and trailers as well as various pieces of operating equipment. In 2013 gross capital expenditures were \$6.5 million and dispositions were \$2.0 million for net capital expenditures¹ of \$4.5 million.

CORPORATE

The Corporate Office incurred an operating loss of \$0.4 million in the fourth quarter as compared to an operating loss of \$1.3 million in 2013. The \$0.9 million decrease was mainly attributable to a year over year positive variance in foreign exchange and a decrease in stock-based compensation expense. These decreases were somewhat offset by an increase in various administrative costs including professional fees related to acquisitions, facility repair costs and property taxes, which resulted from the purchase of real property and facilities by the Corporate Office.

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



TRANSACTIONS WITH RELATED PARTIES

Key Management Personnel Compensation

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

(\$ millions) Category	Years Ended December 31	
	2014	2013
Salaries and benefits (including profit share)	\$ 3.5	\$ 3.8
Share-based payments	0.1	0.1
Total	\$ 3.6	\$ 3.9

Mullen Group had no outstanding amounts owing to or amounts receivable from directors and officers as at December 31, 2014 and 2013, with respect to the overall compensation program for the executives. As at December 31, 2014, directors and officers of Mullen Group collectively held 3,562,207 Common Shares (2013 – 3,379,441) representing 3.9 percent (2013 – 3.7 percent) of all Common Shares of the Corporation.

Related Party Transactions

During the year, Mullen Group generated revenue of \$0.2 million (2013 – \$0.2 million) and purchased \$28,000 (2013 – sold equipment for \$0.9 million) of property, plant and equipment with entities that are related by virtue of a certain Board member having control or joint control over the other entities. There was \$20,000 of accounts receivable amounts due from these related parties as at December 31, 2014.

During the year, Mullen Group incurred interest expense of \$46,000 (2013 – \$0.3 million) in relation to Debentures that were held by a related party. As at December 31, 2013, an aggregate of \$2.5 million of Debentures were held by Mullen Group's Chairman, Chief Executive Officer and President, Murray K. Mullen along with his spouse and children. During 2014, these Debentures were converted into 237,293 Common Shares of the Corporation.

During the year, Mullen Group generated revenue of \$4.7 million (2013 – \$9.7 million), incurred expenses of \$0.1 million (2013 – \$0.1 million) and sold \$0.1 million (2013 – nil) of property, plant and equipment with Kriska Transportation and Canol, which are accounted for by the equity method of accounting. As at December 31, 2014, there was \$5,000 (2013 – \$2.6 million) of accounts receivable amounts due from Kriska Transportation and Canol and there was \$82,000 of accounts payable amounts due resulting from these related party transactions.

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



PRINCIPAL RISKS AND UNCERTAINTIES

The operational complexities inherent in our business, together with the highly regulated and competitive environment of the industries in which we operate, leave Mullen Group exposed to a number of risks and uncertainties ("risks"). Many of these risks, for example, the cyclical and volatile nature of the oil and natural gas industry, may be mitigated to a certain degree but still remain outside of our control. Management believes that the risks described below are the ones that could have the most significant impact on Mullen Group. Readers are cautioned that the list of risks is not exhaustive and new information, future events or changing circumstances could affect our operations and financial results, which may reduce or restrict our ability to pay a dividend to our shareholders and may materially affect the market price of our securities.

The transportation business and other activities of Mullen Group are directly affected by fluctuations in the general economy, including the amount of trade between Canada and the United States and the value of the Canadian dollar as compared to the U.S. dollar. Our Oilfield Services segment is directly affected by fluctuations in the levels of oil and natural gas drilling activity, oil sands development and production activity carried on by its customers, which in turn is dictated by numerous factors, including but not limited to world energy prices and government policies.

Mullen Group has a risk management review process to assist in mitigating risk. The risk management review process highlights the significant risks which then leads to mitigation plans through, among other things, the establishment of standards and other controls. Mullen Group has established and enforces a corporate wide code of conduct and ethics through its Behaviour Guide and has instituted an anonymous Whistleblower protocol. The inability to identify, assess and respond to risks through the risk management review process could lead to, among other things, an inability to capture opportunities, recognize threats, inefficiencies and non-compliance with laws and regulations.

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

Strategic	<ul style="list-style-type: none"> • Oil and Natural Gas Drilling Activity • Oil Sands and Heavy Oil Activity • Economic Conditions • Failure to Identify and Realize Anticipated Benefits of Acquisitions and Dispositions • Competition • Climate Change Regulations and Carbon Pricing/Taxes • Changes in Legislation • Alternatives to and Changing Demand For Petroleum Products
Financial	<ul style="list-style-type: none"> • Foreign Exchange • Access to Financing • Reliance on Major Customers • Interest Rates • Credit Risk
Operational	<ul style="list-style-type: none"> • Employees and Labour Relations • Cost Escalation • Potential Operating Risks and Insurance • Digital Infrastructure • Environmental Liability Risks • Weather and Seasonality • Business Continuity, Disaster Recovery and Crisis Management • Access to Parts, Development of New Technology and Relationships with Key Suppliers • Regulation



STRATEGIC RISKS:

Oil and Natural Gas Drilling Activity

A portion of Mullen Group's revenue and operating income¹ is directly related to oil and natural gas drilling activity in western Canada, an area known to contain these hydrocarbons. As a service provider to the oil and natural gas industry we are reliant on the levels of capital expenditures made by oil and natural gas producers. The level of drilling activity by exploration and production companies is based on several factors including, but not limited to, hydrocarbon prices, production levels and access to capital. Oil and natural gas development is also influenced by the long-term takeaway pipeline capacity to transport these products out of western Canada. There can be no certainty that investments will be made, or that approvals by regulators will be forthcoming, to provide this capacity. As a service provider to the oil and natural gas industry, Mullen Group is highly reliant on the levels of capital allocated by oil and natural gas producers to drilling activity in western Canada. In recent years, natural gas prices have been volatile, nearing ten year lows, thereby reducing the level of natural gas drilling activity. Although recent oil drilling and production activity has increased in western Canada oil prices have fluctuated significantly and may remain volatile.

A sudden significant or prolonged decline of oil and/or natural gas prices may have a negative impact on drilling activity that would negatively affect the operations in our Oilfield Services segment as well as our overall financial condition. Conversely, a resurgence of oil and/or natural gas prices may have a positive impact on the operations in our Oilfield Services segment as well as our overall financial condition.

Mullen Group recognizes the cyclical and volatile nature of drilling activity and mitigates the risks associated with this volatility through the combination of a disciplined capital allocation process and a focus on maintaining long-term relationships with large-cap oil and gas companies. We also continually assess the requirements for further investments in our Oilfield Services segment and have diversified our operations to further mitigate this risk.

Oil Sands and Heavy Oil Activity

A portion of Mullen Group's operations are related to the continued development and extraction of oil sands and heavy oil deposits in western Canada. As a service provider to this sector, Mullen Group is reliant on the level of capital and operational expenditures made by oil sands operators and heavy oil producers, who typically base their capital expenditures on several factors including, but not limited to, oil prices, oil price differentials, available heavy oil refinery capacity, takeaway capacity including pipeline and rail infrastructure, access to capital and environmental regulations. These operators and producers tend to examine long-term fundamentals affecting the foregoing factors before they adjust their capital budgets to reflect these assessments. In terms of the effect of environmental regulations, oil sands operations emit greenhouse gases ("**GHG**") and have been the focus of various environmental groups and legislators. As production rises there is a risk that oil sands and heavy oil development may not meet societal expectations and, therefore, may become subject to new environmental regulations, which could negatively affect their future capital expenditures (see ***Climate Change Regulations and Carbon Pricing/Taxes*** on page 59). In addition to GHG emissions regulations, oil sands producers are subject to tailings management regulations, which may become more stringent and require additional capital in order to satisfy. To date, regulations relating to tailings management, such as the Alberta Government's Directive 74, have had no demonstrable or quantifiable negative effect on Mullen Group's business. However, our wholly-owned subsidiary Canadian Dewatering L.P., benefited from those regulations due to the nature of the services they provide. Oil sands and heavy oil development is influenced by the long-term takeaway pipeline capacity to transport these oils out of western Canada. There can be no certainty that investments will be made, or that approvals by regulators will be forthcoming, to provide this capacity. Finally, oil sands development requires significant capital. As such, significant disruptions or volatility in the capital markets may increase oil sands developers' cost of borrowing or affect their ability to access credit and equity capital markets thereby impacting oil sands and heavy oil producers' and developers' operations, which would in turn affect Mullen Group. A significant or prolonged decline in oil prices, new or more stringent environmental regulations, insufficient takeaway capacity or diminished access to capital on the part of oil sands and heavy oil producers, may have a material adverse effect on oil sands and heavy oil producers and, therefore, negatively affect the results of operations of our Oilfield Services segment as well as our overall financial condition.

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



In consideration of this risk and potential uncertainty Mullen Group endeavours to ensure that its costs and pricing are appropriate for the anticipated level of oil sands and heavy oil activity. In addition, we continually assess the requirements for further investments in our Oilfield Services segment and have diversified our operations to further mitigate this risk.

Economic Conditions

Mullen Group is a provider of trucking and logistics services to customers throughout North America. Our results are affected by the state of the economy, both in North America and globally, and the associated demand for freight transportation and logistics services. Similarly, commodity prices, to which the demand for our Oilfield Services segment is tied, can be affected by the state of those economies. A decline or uncertainty with regard to the health of the North American economy could have a material adverse effect on the operations of our Trucking/Logistics segment and, to a lesser degree, our Oilfield Services segment (to the extent that the economy affects commodity pricing with respect to oil and natural gas, in particular), and our overall financial condition.

In consideration of this risk, Mullen Group services an extensive customer base from diverse industries covering a broad geographic area. In addition, we use what we consider to be an appropriate mix of Company Equipment and Contractors to service our customers. During periods of peak demand, Mullen Group tends to use a higher volume of Contractors, which yield lower margins, but protects us from the downside risk and fixed costs associated with a larger Company Equipment fleet during periods of lower demand. These diversification and operating strategies ensure, as much as possible, that Mullen Group is not overly exposed to any single economic trend.

Failure to Identify and Realize Anticipated Benefits of Acquisitions and Dispositions

Mullen Group acquires and disposes of businesses and assets in the ordinary course of business. Our acquisition strategy has been, and will remain, focused primarily on the two segments of the economy where we have strong market penetration and customer relationships, namely, the oil and natural gas services industry and the transportation and distribution of freight within North America. Accordingly, Mullen Group faces competition from both peer group and non-peer group firms for acquisition opportunities. This external competition may hinder our ability to identify and/or consummate future acquisitions successfully. If the prices sought by sellers of these potential acquisitions were to rise or otherwise be deemed unacceptable, Mullen Group may find fewer suitable acquisition opportunities. Furthermore, entities that are acquired may not increase our operating income¹ or yield other anticipated benefits. If any one, or a combination, of the above contingencies results in our failure to execute our acquisition strategy successfully in the future, it could limit our ability to continue to grow in terms of revenue, operating income¹ and cash flow. In addition, there is a risk of impairment of acquired intangible assets. This risk of impairment exists because the assumptions used in the initial valuation of such intangible assets, such as interest rate or forecasted cash flows, may change when testing for impairment is required.

Achieving the benefits of acquisitions depends, in part, on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner. Such integration may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters; one such matter being dispositions. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of so that Mullen Group can focus its efforts and resources more efficiently. Depending on the state of the market such non-core assets, if disposed of, could be expected to realize less than their carrying value on our consolidated financial statements.

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

Competition

The various business segments in which Mullen Group participates are highly competitive. We compete with several large companies in the transportation and energy services industry that may have greater financial and other resources. There can be no assurance that such competitors will not substantially increase the resources

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



devoted to the development and marketing of services that compete with those of Mullen Group or that new competitors will not enter our various markets.

In certain aspects of its business, Mullen Group has competitive advantages such as lower overhead costs and specialized regional strengths. We endeavour to use technological change and innovation to remain competitive in our various businesses. Furthermore, the diversity of our Operating Entities and our decentralized business model may diminish the effect that new competitive forces might have on Mullen Group as a whole.

Climate Change Regulations and Carbon Pricing/Taxes

A change in this regulatory regime may impact our customers and our operations. Climate change regulations and carbon taxes may lead to project delays and additional costs to producers affecting both their profitability and their investments in oil and natural gas. Given the evolving nature of the debate related to climate change, it is not currently possible to predict the nature of, or the impact on, Mullen Group and its operations and financial condition.

Changes in Legislation

The operations of Mullen Group are subject to a variety of federal, provincial and local laws, regulations and guidelines. There can be no assurance that such laws, regulations and guidelines, including income tax laws and the status of government programs relating to the oil and natural gas industry, the energy services industry and the transportation industry, and environmental and otherwise applicable operating legislation will not be changed in a manner that adversely affects Mullen Group. Any such change could have a material adverse effect on our business, results of operations and financial condition. Our customers are similarly subject to federal, provincial and local laws, regulations and guidelines and there can be no assurance that the laws, regulations or rules governing our customers will not be changed in a manner that adversely affects them and, thereby, Mullen Group. During 2007 such occurred by virtue of the Alberta Government's decision to change the royalty regime governing the oil and natural gas industry in Alberta. This decision adversely affected drilling activity and consequently the demand for Mullen Group's services and its financial results from operating activities.

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

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Mullen Group cannot predict the impact of changing demand for oil and natural gas products, and any major changes could have a material adverse effect on our business, results of operations and financial condition.

FINANCIAL RISKS

Foreign Exchange

Mullen Group has foreign exchange risk. Generally, a stronger Canadian dollar is beneficial to net earnings as it results in an unrealized foreign exchange gain on Mullen Group's U.S. denominated debt, as well as an equivalent reduction in the carrying value of such debt on the balance sheet. However, a stronger Canadian dollar also has the potential to reduce the level of Canadian exports thereby potentially negatively affecting the results of operations in the Trucking/Logistics segment. Conversely, a weakening Canadian dollar results in an unrealized foreign exchange loss and an equivalent increase in the carrying value related to the U.S. denominated debt. In addition, a weaker Canadian dollar has the potential to increase the level of Canadian exports and thereby potentially positively affect the results of operations in the Trucking/Logistics segment.

At the end of each reporting period Mullen Group recognizes unrealized foreign exchange gains or losses as they relate to financial contracts, assets and liabilities held in foreign currencies. This risk mainly arises from its U.S. \$314.0 million of Senior Guaranteed Unsecured Notes ("**U.S. Notes**"). Specifically, Mullen Group's U.S. Notes are



comprised of its Series E (U.S. \$85.0 million), Series G (U.S. \$117.0 million) and Series H (U.S. \$112.0 million) Notes that mature in 2017, 2024 and 2026, respectively. Mullen Group has mitigated some of its foreign exchange risk by entering into the Cross-Currency Swaps to convert the principal portion of the Series G and Series H Notes into a Canadian currency equivalent of \$129.2 million and \$124.9 million, respectively. The Series E notes that mature in September 2017 remain unhedged. At December 31, 2014, Mullen Group had U.S. dollar cash of \$73.7 million, U.S. dollar trade receivables of \$7.4 million and U.S. dollar trade payables and accrued liabilities of \$6.0 million, which mitigates a portion of this foreign exchange risk. Mullen Group is also exposed to foreign exchange risk related to approximately U.S. \$13.9 million of annual interest payable on its U.S. Notes. This risk is partially offset by the fact that Mullen Group generates surplus U.S. funds in its operations, predominately within its Trucking/Logistics segment. This surplus U.S. dollar cash being generated acts as a natural hedge as it is used to repay our annual interest obligation on the U.S. Notes.

Access to Financing

Mullen Group may find it necessary in the future to obtain additional debt or equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available when needed or on acceptable terms, which could limit Mullen Group's growth and could have a material adverse effect on its business, results of operations and financial condition.

Mullen Group manages its cash flows diligently to ensure that we maintain what we believe is a suitable level of liquidity and leverage. Our approach to managing liquidity is to ensure, to the extent possible, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions. Consistent with others in the industry, Mullen Group monitors capital on the basis of debt-to-equity. This ratio is calculated as total debt divided by shareholders' equity. Total debt is calculated as the total of: current portion of long-term debt, long-term debt and the debt component of Debentures. Equity is comprised of share capital, convertible debentures – equity component, contributed surplus and retained earnings. The debt-to-equity ratio calculation at December 31, 2014 was 0.78:1 (2013 – 0.47:1).

Mullen Group feels it will be able to obtain additional financing when needed, in the amounts required and on acceptable terms, however, there is no assurance that such additional financing will be available when needed or on acceptable terms.

Reliance on Major Customers

There is an inherent risk that arises to all businesses when economic dependence on a major customer hinders a company's ability to maximize profit. The loss of one or more major customers, any significant decrease in services provided, decreases in rates charged, or any other changes to the terms of service with customers, could have a material adverse effect on Mullen Group's business, results of operations and financial condition. Furthermore, a concentration of revenue within a major customer, or a small group of major customers, may lead to an enhanced ability of those customers to influence pricing and other contract terms, which may have a material adverse effect on Mullen Group's results. The top ten customers of Mullen Group accounted for approximately 31.0 percent of our revenue for the year ended December 31, 2014 (2013 – 31.7 percent), and the largest customer accounted for approximately 8.1 percent (2013 – 7.8 percent) of such revenue. There can be no assurance that our current customers will continue their relationships.

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

Interest Rates

Mullen Group is susceptible to fluctuations in interest rates. Our Bank Credit Facility is issued at variable rates. To the extent Mullen Group utilizes its Bank Credit Facility it would incur a risk of interest rates rising. This facility was available but was not drawn on as at December 31, 2014.



Our Private Placement Debt, the Debentures and the majority of our Various Financing Loans are issued at fixed rates, the majority of which mature between 2016 and 2026. Borrowings issued at fixed rates expose Mullen Group to fair value interest rate risk. More specifically, we are susceptible to the opportunity costs associated with interest rate decreases considering that the interest rates on the majority of our borrowings are fixed. Assuming all other variables were held constant, if interest rates increased by 1.0 percent on our \$705.0 million debt, Mullen Group would incur additional annual interest expense of approximately \$7.1 million. Mullen Group does not hedge interest rates or have any interest rate swaps, but we have mitigated the negative risk of rising interest rates by financing most of our debt at fixed rates.

Credit Risk

Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from Mullen Group's trade and other receivables from its customers. Substantial portions of our accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in commodity prices thereby potentially impacting their ability to meet contractual obligations. Although collection of these receivables could be influenced by economic factors affecting this industry, management considers the risk of a significant loss to be remote at this time. The carrying amount of financial assets represents Mullen Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

Carrying amount (\$ millions)	December 31, 2014		December 31, 2013	
Cash and cash equivalents	\$	325.4	\$	58.2
Trade and other receivables		209.8		234.5
Other assets		0.8		1.6
	\$	536.0	\$	294.3

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. Mullen Group hauls a wide variety of freight for a broad customer base that spans numerous industries. Our top ten customers are all well-known, publicly-traded companies. Credit risk related to trade and other receivables is initially managed by each Operating Entity. Each Operating Entity is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Operating Entities' review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its trade and other receivables aging on an ongoing basis as part of its process of managing credit risk and also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. In addition, Senior Executives attend industry forums to assess the creditworthiness of customers related primarily to the oil and natural gas industry. In terms of the credit risk relating to over-reliance on a single customer, no customer accounted for more than ten percent of our consolidated revenue for the fiscal years ended 2014 and 2013.

OPERATIONAL RISKS

Employees and Labour Relations

The success of Mullen Group is dependent upon attracting and retaining key personnel. Any loss of the services of such persons could have a material adverse effect on Mullen Group's business, results of operations and financial condition. Our ability to expand services will be dependent upon attracting additional qualified employees, which is constrained in times of strong industry activity. The failure to attract and retain a sufficient number of qualified personnel could also have a material adverse effect on our profitability.

The largest components of Mullen Group's overall expenses are salary, wages, benefits and costs of contractors. Any significant increase in these expenses could impact our financial performance. In addition, Mullen Group is at risk if there are any labour disruptions. Some of our Operating Entities are subject to collective agreements with their employees. Any work stoppages, unbudgeted or unexpected increases in compensation could have a material adverse effect on our profitability and reduce cash flow from operating activities.



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

Cost Escalation

Cost escalations due to rising costs, the effect of inflation, the price of fuel, equipment and other input costs, insurance costs, interest rates, fluctuations in customers' business cycles and national and regional economic conditions are factors over which Mullen Group has little or no control. Significant increases in fuel prices, equipment prices, other input prices, interest rates or insurance costs, to the extent not offset by increases in transportation rates or contractual surcharges, or disruptions in fuel supply, would reduce profitability and could adversely affect our ability to carry out our strategic plans. Mullen Group cannot predict the impact of future economic conditions and there is no assurance that our operations will continue to be profitable.

To counteract the potential for cost escalation, Mullen Group focuses on operational excellence, synergies between its Operating Entities and cost control. We rely on, among other things, long-term planning, budgeting processes, and internal benchmarking to achieve our profitability targets. Additionally, we mitigate our exposure to rising costs through the implementation of various fuel surcharge programs which pass the majority of cost increases to our customers and have implemented policies that focus on fuel efficiency, including fuel economy, asset utilization and minimizing dead-head mileage, proper repairs and maintenance of equipment, idling and speed policies.

Potential Operating Risks and Insurance

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

Although Mullen Group has obtained insurance coverage against certain of the risks to which it is exposed, such insurance is subject to deductibles and coverage limits and no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If Mullen Group were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, results of operations and financial condition could be materially adversely affected.

Mullen Group has insurance and risk management programs in place to protect its assets, operations and employees and also has programs in place to address compliance with current safety and regulatory standards. Each Operating Entity has a health and safety coordinator responsible for maintaining and developing policies and monitoring operations vis-à-vis those policies. The health and safety coordinators are required to report incidents directly to the Senior Vice President of Mullen Group who reports directly to our Chief Executive Officer.

Digital Infrastructure

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

Mullen Group's information systems could also be penetrated by outside parties intent on extracting confidential information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our



business and could result in the loss of assets, litigation, remediation costs, damage to our reputation and loss of revenue resulting from unauthorized use of confidential information or failure to retain or attract customers following such an event. As part of our entity wide IT risk mitigation policy, Mullen Group engages third party vendors to complete security assessments of the IT systems, consisting of external and internal penetration tests.

At both the corporate level and within the individual Operating Entities, IT systems are subject to stringent guidelines, standardization, vigorous virus and access protection, back-up systems and replicated data. Mullen Group employs project management techniques to manage new software developments and/or system implementations. We have a disaster recovery plan in place that is evaluated periodically and portions thereof are tested on a regular basis. Hosted by a reputable third-party, our main data centre has high levels of durability and redundancy built into it. Additionally, we have a second operational data centre which will allow Mullen Group to continue processing data in the event of a major incident.

Environmental Liability Risks

The risk of incurring environmental liabilities is inherent in oilfield service and transportation operations. Historically, activities associated with such operations and the ownership, management or control of real estate pose an environmental risk. Some of our Operating Entities will routinely deal with natural gas, oil and other petroleum products. Our operations are subject to numerous laws, regulations and guidelines governing the management, handling, transportation and disposal of non-regulated and regulated substances and otherwise relating to the protection of the environment. These laws, regulations and guidelines include those relating to the remediation of spills, releases, emissions and discharges of regulated substances into the environment and those requiring removal or remediation of pollutants or contaminants. Failure to comply may impose civil and criminal penalties. While certain of our Operating Entities carry significant volumes of dangerous goods, Mullen Group ensures that strict guidelines are met before an Operating Entity and the individual drivers are permitted to manage, handle or transport such dangerous goods. This involves specific insurance requirements, training programs and appropriate permits with the various provinces and states in which our Operating Entities operate.

Mullen Group's customers are subject to various laws, regulations, and guidelines that prescribe, among other things, limits on emissions into the air and discharges into surface and sub-surface waters. While regulatory developments that may follow in subsequent years could have the effect of reducing industry activity, we cannot predict the nature of the restrictions that may be imposed. Mullen Group may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

Mullen Group operates out of numerous owned and leased facilities throughout Canada where storage tanks may be used or may have been used at some prior date. Canadian laws generally impose potential liability on the present or former owners or occupants of properties on which contamination has occurred. Although we are not aware of any contamination which, if remediation or clean-up were required, could have a material adverse effect on Mullen Group, certain facilities have been in operation for many years and, over such time, Mullen Group or the prior owners, operators or custodians of the properties may have generated and disposed of substances which are or may be considered hazardous. There can be no assurance that we will not be required at some future date to comply with new environmental laws, or that our operations, business or assets will not otherwise be further affected by current or future environmental laws.

While Mullen Group maintains liability insurance, including insurance for certain environmental incidents, the insurance is subject to coverage limits and certain of our policies exclude coverage for damages resulting from environmental contamination. There can be no assurance that insurance will continue to be available to Mullen Group on commercially reasonable terms, that the types of liabilities that we may incur will be covered by our insurance, or that the dollar amount of such liabilities will not exceed our policy limits.

Mullen Group has programs to address compliance with current environmental standards and monitors its practices concerning the handling of environmentally hazardous materials. We endorse a formalized quality program and strive to be the best in class in areas of safety and environmental excellence. We believe in a balanced approach to sustainable development and are committed to best in class environmental management systems. In addition, we work with government, industry groups and the public to improve and develop environmental standards and further understanding of environmental issues. However, there can be no assurance that our procedures will prevent environmental damage from occurring as a result of spills of materials handled by Mullen Group or that such damage has not already occurred. Any such occurrence may have a material adverse effect on our business, results of operations and financial condition.



Weather and Seasonality

Harsh weather conditions can impede the movement of goods and increase the operating costs for the materials that can be transported, which could have a material adverse effect on Mullen Group's business, results of operations and financial condition.

In general, the level of activity in the Canadian oilfield service industry is influenced by seasonal weather patterns 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 with corresponding declines in the demand for the goods and services we supply.

Mullen Group mitigates some of this risk by charging standby fees or by positioning equipment in strategic locations in order to take advantage of good weather conditions when they occur. We also manage this risk by diversifying our operations and by using subcontractors and owner operators, which requires no investment by Mullen Group, to handle seasonal peaks. Mullen Group's growth through acquisition into businesses not directly tied to oil and natural gas drilling activity has lessened the seasonal nature of our overall performance.

Business Continuity, Disaster Recovery and Crisis Management

In the event of a serious incident, the inability to restore or replace critical capacity in a timely manner may impact our business and operations. A serious event could therefore have a material adverse effect on Mullen Group's business, results of operations and financial condition.

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

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

Mullen Group's ability to compete and expand is most directly tied to our having access at a reasonable cost to equipment, parts and components, which are at least technologically equivalent to those utilized by competitors, and to the development and acquisition of new and competitive technologies. Although we have individual distribution agreements with various key suppliers, there can be no assurance that those sources of equipment, parts, components or relationships with key suppliers will be maintained. If these are not maintained, our ability to compete may be impaired by virtue of diminished availability and/or increased cost of securing certain equipment and parts. Mullen Group is able to access certain distributors and secure discounts on parts and components that would not be available if it were not for its relationship with certain key suppliers. Should the relationships with key suppliers cease the availability and cost of securing certain equipment and parts may be adversely affected.

Mullen Group assesses its suppliers and endeavours to ensure that its suppliers are financially viable or that suitable alternatives exist if relationships with current suppliers were to become compromised.

Regulation

Notwithstanding that the transportation industry is largely deregulated in terms of entry into the industry, each carrier must obtain a license from, or register with, provincial regulatory authorities in order to carry goods extra-provincially or to transport goods within any province. Licensing is also required from regulatory authorities in the United States for the transportation of goods between Canada and the United States. Changes in regulations applicable to Mullen Group could increase operating costs and have a material adverse effect on our business, results of operations and financial condition. The right to continue to hold applicable licenses and permits is generally subject to maintaining satisfactory compliance with regulatory and safety guidelines, policies and regulations. Although we are committed to compliance and safety through our operational excellence initiatives, there is no assurance that we will be in full compliance at all times with such policies, guidelines and regulations. Consequently, at some future time, Mullen Group could be required to incur significant costs to maintain or improve its compliance record.



Mullen Group monitors regulatory frameworks with a particular focus on over-dimensional freight and transportation of fluids and works, in conjunction with industry associations, to advocate its needs to regulators and ensure that equipment meets regulations and that sufficient capital is invested to meet current and anticipated regulatory requirements.

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations, which are based upon its Annual Financial Statements that have been prepared in accordance with IFRS. The Annual Financial Statements require management to select significant accounting policies, which are contained within Note 3 to such statements. These significant accounting policies involve critical accounting estimates regarding matters that are inherently uncertain and require management to make estimates, complex judgements and assumptions. These estimates, complex judgements and assumptions are based on the circumstances that exist at the reporting date and may affect the reported amounts of income and expenses during the reporting periods and the carrying amounts of assets, liabilities, accruals, provisions, contingent liabilities, other financial obligations, as well as the determination of fair values. The following describes critical accounting estimates used by Mullen Group in preparing the Annual Financial Statements and are an important part in understanding such statements:

Impairment tests

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

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

In general terms, goodwill represents the excess of the purchase price of a business combination over the net amount of identifiable assets acquired less the liabilities assumed. At December 31, 2014 and 2013, Mullen Group performed its annual impairment test for goodwill and concluded that there was no impairment of goodwill at any of its CGUs.

The recoverable amount was determined using either a discounted cash flow approach for CGUs that contain a significant amount of goodwill or an earnings multiple approach for those CGUs that do not contain a significant amount of goodwill. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.



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

	Discount rate		Terminal value growth rate	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
CGU				
Formula Powell L.P.	11.0%	11.0%	2.5%	2.5%
Kleysen Group L.P.	12.5%	12.5%	2.5%	2.5%
Cascade Energy Services L.P.	12.0%	12.5%	2.5%	2.5%
Hi-Way 9 Group of Companies	12.0%	12.0%	2.5%	2.5%
Heavy Crude Hauling L.P.	12.5%	12.5%	2.5%	2.5%
Tenold Transportation Limited Partnership	12.5%	12.5%	2.5%	2.5%

- (i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using a constant growth rate of 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and an Operating Entity's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.
- (ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.
- (iii) Each CGU's discount rate reflects their individual size, risk profile and circumstance and is based on past experience and industry average weighted average cost of capital.

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

	Change in discount rate		Change in terminal value growth rate	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
CGU				
Formula Powell L.P.	0.8%	0.4%	(1.2)%	(0.5)%
Kleysen Group L.P.	4.0%	4.3%	(7.0)%	(7.5)%
Cascade Energy Services L.P.	1.2%	0.7%	(1.8)%	(1.1)%
Hi-Way 9 Group of Companies	1.6%	1.5%	(2.5)%	(2.2)%
Heavy Crude Hauling L.P.	5.9%	9.3%	(14.7)%	(30.3)%
Tenold Transportation Limited Partnership	4.0%	11.2%	(7.0)%	(27.3)%

For the earnings multiple approach, the Corporation uses a multiple of earnings before interest, taxes, depreciation and amortization by applicable CGU. To determine fair value, a range of multiples between 0.8 and 5.7 times earnings was applied to those CGUs that did not have a significant amount of goodwill. The multiples were determined by looking at multiples of comparable public companies and precedent transactions. The fair value of each of these CGUs were categorized as Level 2 fair value based on the observable inputs.

For all CGUs the recoverable amount was greater than the CGU's carrying value, including goodwill.



Intangible assets are mainly comprised of customer relationships and non-competition agreements. The fair value of these assets are calculated when a business is acquired and then amortized on a straight-line basis over their estimated life. At December 31, 2014, intangible assets totalled \$31.4 million (2013 – \$41.7 million). Property, plant and equipment are mainly comprised of trucks and trailers, land and buildings. The net book value of property, plant and equipment at December 31, 2014, was \$911.7 million (2013 – \$903.3 million).

Acquisitions

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

Property, plant and equipment and intangible assets

Property, plant and equipment are initially recognized at cost and include all expenditures directly attributable to bringing the asset to its intended use. The method and rates used in calculating depreciation of property, plant and equipment is an estimate. Mullen Group calculates depreciation of property, plant and equipment using the declining balance method for all assets except drilling rigs which are depreciated using the unit-of production method. Mullen Group believes its methods and rates of depreciation reasonably reflect the annual decline in the value of property, plant and equipment. These methods and rates used are validated by the fact that net gains or losses on sale of property, plant and equipment over the last ten years have been minimal, which indicates that the net book value of assets approximates fair market value over an extended period of time. There have been no changes made to the methods or rates used by Mullen Group to estimate depreciation expense on property, plant and equipment during the past two years. At December 31, 2014, the Oilfield Services segment had a carrying value of property, plant, and equipment of \$409.2 million (2013 – \$414.0 million) compared to \$131.4 million (2013 – \$133.6 million) in the Trucking/Logistics segment.

Intangible assets are amortized on a straight line basis over a period of five to ten years. Mullen Group determines the length of the amortization period at the date of acquisition. The method used in determining the amortization period is based upon the anticipated present value of future cash flows generated from customer relationships purchased on acquisitions. At December 31, 2014, the Oilfield Services segment had a carrying value of intangible assets of \$21.1 million (2013 – \$29.4 million) compared to \$10.3 million (2013 – \$12.3 million) in the Trucking/Logistics segment.

Derivative Financial Instruments

Mullen Group utilizes derivative financial instruments ("**Derivatives**") such as cross-currency swaps to manage its exposure to foreign currency risks relating to its U.S. dollar denominated debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads.

Trade and other receivables

Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are based on historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, Mullen Group reviews external credit ratings as well as bank and trade references when available. At December 31, 2014, Mullen Group recognized a reserve for bad debts on a customer-by-customer basis of \$3.6 million (2013 – \$2.7 million) against total gross trade and other receivables of \$213.4 million (2013 – \$237.2 million).



Income Taxes

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

SIGNIFICANT ACCOUNTING POLICIES

Changes in Accounting Policies

Effective January 1, 2014, Mullen Group adopted IFRIC 21 – Levies and the amendments made to IFRS 10 – Consolidated Financial Statements, IAS 28 – Investments in associates and joint ventures, IFRS 3 – Business combinations, IAS 32 – Financial Instruments: presentation and IAS 36 – Impairment of Assets. IFRIC 21 and the amendments made to IFRS 10, IAS 28, IFRS 3, IAS 32 and IAS 36 were applied retrospectively.

IFRIC 21 established the principles under which Mullen Group accounts for government levies. This standard provided guidance on when to recognize a liability to pay a government levy. The adoption of this standard did not have a material effect on Mullen Group.

The amendments made to IFRS 10 and IAS 28 establish the principles to account for the sale or contribution of assets between an investor and its associate or joint venture. These amendments clarify that a full gain or loss is recognized when the transaction involves the sale or contribution of a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments made to this standard resulted in Mullen Group recording a full gain on its contribution of Mill Creek to Kriska Transportation as the fair value received exceeded its corresponding book value.

The amendments made to IFRS 3 clarifies certain aspects of accounting for contingent consideration in a business combination. These amendments clarify the classification of contingent consideration as either a financial liability or an equity instrument. Subsequent to initial measurement, contingent consideration classified as either a financial asset or financial liability is measured at fair value at the end of each reporting period, with any changes in fair value being recorded within the statement of comprehensive income. The amendments made to this standard did not have a material effect on Mullen Group.

The amendments made to IAS 32 clarified existing requirements for offsetting financial assets and financial liabilities. The amendments made to this standard did not have a material effect on Mullen Group.

The amendments made to IAS 36 changed certain disclosure requirements regarding the recoverable amount of goodwill and indefinite lived intangible assets. The amendments made to this standard did not have a material effect on Mullen Group.

New Standards and Interpretations Not Yet Adopted

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

The following table outlines the new accounting pronouncements issued by the IASB that are applicable to, or may have a future impact on, Mullen Group. The new pronouncement set forth below is effective for financial statements with annual periods beginning on or after January 1, 2017.

IFRS Title	Nature of Impending Change	IFRS Application Date	Impact of initial application on the Corporation's Financial Statements
IFRS 15 – Revenue from contracts with customers	IFRS 15 replaces existing IFRS and introduces a new revenue recognition model for contracts with customers. It also replaces existing guidance for contract costs and includes new disclosure requirements.	January 1, 2017 ⁽¹⁾	Management is currently completing its initial assessment of IFRS 15.

⁽¹⁾ This IFRS may be applied retroactively, or as of the application date by adjusting retained earnings using the cumulative effect approach. Early adoption is permitted.



DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at December 31, 2014, 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 December 31, 2014, 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 December 31, 2014, 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, which will supersede the 1992 COSO Framework as of December 15, 2014. As of December 31, 2014, Mullen Group was utilizing the original framework published in 1992, but is transitioning to the 2013 COSO Framework as it relates to its internal control over financial reporting. In 2014 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.

Mullen Group's CEO and CFO have filed certifications with the Canadian securities regulators regarding the quality of Mullen Group's public disclosures relating to its fiscal 2014 reports.

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 will allocate capital and pursue opportunities leveraged to the general economy, as referred to in the Executive Summary section beginning on page 7;
- Mullen Group's expectation that the financial performance of the majority of the Operating Entities in our Oilfield Services segment will be well below prior year levels, as referred to in the Executive Summary section beginning on page 7;
- Mullen Group's expectation that 2015 will be a challenging year, as referred to in both the Executive Summary and the Outlook sections beginning on pages 7 and 9, respectively;
- Mullen Group's expectation that the Trucking/Logistics segment will grow in 2015 and that we expect this segment to generate approximately 50.0 percent of Mullen Group's revenue and an increasing proportionate share of operating profitability in 2015, as referred to in the Outlook section beginning on page 9;
- Mullen Group's expectation that demand for the majority of the Operating Entities services within the Oilfield Services segment will be negatively impacted, as referred to in the Outlook section beginning on page 9;



- Mullen Group's expectation that the oil and natural gas service industry and our Operating Entities levered to the energy sector will return back to a more sustainable level and traditional financial results, as referred to in the Outlook section beginning on page 9;
- Mullen Group is reasonably optimistic that our Trucking/Logistics segment and in particular the Gardewine Group will have a solid year, as referred to in the Outlook section beginning on page 9;
- Mullen Group's belief that the current annual dividend of \$1.20 per share is sustainable, as referred to in the Outlook section beginning on page 9;
- Mullen Group's intent to use working capital, the Bank Credit Facility (as defined on page 34), and the anticipated cash flow from operating activities in 2015 to finance its 2015 capital expenditures budget referred to under the Private Placement and Capital Allocations section beginning on page 13, as well as ongoing working capital requirements and dividends declared by the Board referred to in the Capital Resources and Liquidity section beginning on page 31; and
- Mullen Group's expectation to allocate the \$80.0 million capital expenditure budget approved by the Board for 2015 on the basis of \$40.0 million as replacement capital for the Corporation's Operating Entities, \$35.0 million to purchase real property in Saskatchewan, facilities currently leased by Jay's and to complete the rail transload facility in Edmonton, Alberta and \$5.0 million for contingencies, as referred to in the Capital Expenditures section beginning on page 16.

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 will allocate capital and pursue opportunities leveraged to the general economy is based on the assumption that the oil and gas industry is in the midst of what will most likely be a severe cyclical downturn.
- Mullen Group's expectation that the financial performance of the majority of the Operating Entities in our Oilfield Services segment will be well below prior year levels is based on the assumption that the collapse in crude oil and natural gas prices has severely impacted cash flows of oil and gas producers. In response they have reduced capital investments and drilling activity much quicker than most service industry observers envisioned just a few months ago, a trend that will continue until commodity prices rise from today's unsustainable levels.
- Mullen Group's expectation that 2015 will be a challenging year, in spite of our strong portfolio of Operating Entities is based on the assumption that the oil and natural gas industry is in the midst of another cyclical turn as such shareholders should not expect our Oilfield Services segment to generate results, or perform at levels, of the past few years.
- Mullen Group's expectation that the Trucking/Logistics segment will grow in 2015 and that we expect this segment to generate approximately 50.0 percent of Mullen Group's revenue and an increasing proportionate share of operating profitability in 2015, is based on the assumption that incremental revenue and operating profit will be generated by the early January 2015 acquisition of Gardewine.
- Mullen Group's expectation that demand for the majority of the Operating Entities services within the Oilfield Services segment will be negatively impacted, is based on the assumption that the collapse in crude oil and natural gas prices will severely cut into oil and gas producers' cash flow forcing nearly every producer to reduce capital investments and new drilling activity.
- Mullen Group's expectation that the oil and natural gas service industry and our Operating Entities levered to the energy sector will return back to a more sustainable level and traditional financial results, is based on the assumption that as commodity prices recover to more sustainable levels it will lead to increased investment activity combined with our belief that a few competitors will fail to exist given that many of them expanded aggressively and will be under severe pressure from a profitability and debt leverage perspective.



- Mullen Group is reasonably optimistic that our Trucking/Logistics segment and in particular the Gardewine Group will have a solid year, is based on the assumption that demand for their services will increase given the majority of Canadian consumers are beneficiaries of the collapse in commodity prices.
- Mullen Group's belief that the current annual dividend of \$1.20 per share is sustainable, is based on the assumption that we have a diversified business model and strong balance sheet. However, this is also predicated on our belief that the current operating environment in the Oilfield Services segment normalizes later in the year.
- Mullen Group's intention to use working capital, the Bank Credit Facility, and the anticipated cash flow from operating activities in 2015 to finance its 2015 capital expenditures budget and its ongoing working capital requirements and dividends declared by the Board. This assumption is based on Mullen Group's belief that its access to cash will exceed its expected requirements.
- Mullen Group's expectation to allocate \$40.0 million as replacement capital for the Corporation's Operating Entities, \$35.0 million to purchase real property in Saskatchewan, facilities currently leased by Jay's and to complete the rail transload facility in Edmonton, Alberta and \$5.0 million for contingencies is based on the assumption that its Operating Entities will require capital to purchase new trucks, trailers and specialized equipment to support both growth opportunities and their ongoing operations.

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 TERMS

The Annual Financial Statements attached and referred to in this MD&A were prepared according to Canadian GAAP. References to operating income, net income – adjusted, earnings per share – adjusted, net capital expenditures, 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 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

Operating income 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 operating income 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

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31		Years ended December 31	
	2014	2013	2014	2013
Net income	\$ 22.2	\$ 20.3	\$ 94.6	\$ 143.3
Add (deduct):				
Income tax expense	8.8	9.6	37.1	49.4
Net unrealized foreign exchange loss	4.6	7.9	15.5	16.2
Other (income) expense	(1.6)	4.4	4.9	(20.7)
Finance costs	8.7	6.6	47.4	26.3
Depreciation of property, plant and equipment	17.9	18.5	69.3	69.5
Amortization of intangible assets	4.3	3.8	15.9	16.7
Operating income	\$ 64.9	\$ 71.1	\$ 284.7	\$ 300.7

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 the one-time expense related to the prepayment of the Series A and Series B Notes, the 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 24 and 47 for detailed calculations of net income – adjusted and earnings per share – adjusted on an annual and a quarterly basis, respectively.

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 Operating Entities.

<i>(unaudited)</i> (\$ millions)	Three month periods ended December 31		Years ended December 31	
	2014	2013	2014	2013
Purchase of property, plant and equipment	\$ 50.4	\$ 32.2	\$ 125.7	\$ 133.7
Proceeds on sale of property, plant and equipment	(35.5)	(5.5)	(56.3)	(14.3)
Net capital expenditures	\$ 14.9	\$ 26.7	\$ 69.4	\$ 119.4



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.

<i>(unaudited)</i> (\$ millions)	December 31, 2014		December 31, 2013	
Long-term debt	\$	692.9	\$	409.2
Convertible debentures - debt component		12.1		16.1
Total debt		705.0		425.3
Less working capital:				
Current assets		589.2		344.1
Current liabilities		(128.7)		(123.3)
Total working capital		460.5		220.8
Net debt	\$	244.5	\$	204.5

Cash Flow per Share

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

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended December 31		Years ended December 31	
	2014	2013	2014	2013
Net cash from operating activities	\$ 79.1	\$ 67.6	\$ 248.6	\$ 214.4
Weighted average number of Common Shares outstanding	91,608,111	90,559,236	91,377,065	89,763,810
Cash flow per share	\$ 0.86	\$ 0.75	\$ 2.72	\$ 2.39





DECEMBER 31, 2014
ANNUAL FINANCIAL REPORT

INDEPENDENT AUDITORS' REPORT



February 11, 2015

To the Shareholders of Mullen Group Ltd.

We have audited the accompanying consolidated financial statements of Mullen Group Ltd., which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Mullen Group Ltd. as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The consolidated financial statements of Mullen Group Ltd. for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on February 12, 2014.

PricewaterhouseCoopers LLP

Chartered Accountants

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PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(thousands)</i>	Note	December 31 2014	December 31 2013
Assets			
Current assets:			
Cash and cash equivalents	6	\$ 325,365	\$ 58,236
Trade and other receivables	7	209,835	234,485
Inventory	8	38,147	34,143
Prepaid expenses		10,010	10,946
Current tax receivable		5,835	6,318
		589,192	344,128
Non-current assets:			
Property, plant and equipment	9	911,699	903,256
Goodwill	10	257,795	244,440
Intangible assets	11	31,437	41,742
Investments	12	52,792	49,463
Deferred tax assets	17	9,078	3,015
Derivative financial instruments	13	9,345	—
Other assets	14	799	1,565
		1,272,945	1,243,481
Total Assets		\$ 1,862,137	\$ 1,587,609
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities	15	\$ 117,438	\$ 108,963
Dividends payable	16	9,161	9,066
Current tax payable		2,102	4,993
Current portion of long-term debt	18	—	277
		128,701	123,299
Non-current liabilities:			
Long-term debt	18	692,909	409,209
Convertible debentures – debt component	19	12,083	16,070
Deferred tax liabilities	17	127,501	138,919
		832,493	564,198
Equity:			
Share capital	20	777,262	760,310
Convertible debentures – equity component	19	550	738
Contributed surplus		10,463	11,327
Retained earnings		112,668	127,737
		900,943	900,112
Subsequent events	34		
Total Liabilities and Equity		\$ 1,862,137	\$ 1,587,609

The notes which begin on page 80 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on February 11, 2015, after review by the Audit Committee.

"Signed: Murray K. Mullen"

Murray K. Mullen, Director

"Signed: Dennis J. Hoffman"

Dennis J. Hoffman, Director



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(thousands, except per share amounts)</i>	Note	Years ended December 31	
		2014	2013
Revenue	22	\$ 1,427,851	\$ 1,437,166
Direct operating expenses		985,163	983,382
Selling and administrative expenses		157,947	153,101
		284,741	300,683
Depreciation of property, plant and equipment	9	69,295	69,499
Amortization of intangible assets	11	15,866	16,743
Finance costs	25	47,370	26,305
Net unrealized foreign exchange loss	13	15,570	16,144
Other (income) expense	27	4,897	(20,710)
Income before income taxes		131,743	192,702
Income tax expense	17	37,110	49,407
Net income and total comprehensive income		\$ 94,633	\$ 143,295
Earnings per share:	21		
Basic		\$ 1.04	\$ 1.60
Diluted		\$ 1.02	\$ 1.57
Weighted average number of Common Shares outstanding:	21		
Basic		91,377	89,764
Diluted		93,027	92,502

The notes which begin on page 80 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(thousands)</i>	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2014		\$ 760,310	\$ 738	\$ 11,327	\$ 127,737	\$ 900,112
Total comprehensive income for the period		—	—	—	94,633	94,633
Common Shares issued on conversion of convertible debentures		4,379	(188)	—	—	4,191
Stock-based compensation expense		—	—	1,633	—	1,633
Common Shares issued on exercise of stock options	20	12,573	—	(2,497)	—	10,076
Dividends declared to common shareholders	16	—	—	—	(109,702)	(109,702)
Balance at December 31, 2014		\$ 777,262	\$ 550	\$ 10,463	\$ 112,668	\$ 900,943

<i>(thousands)</i>	Note	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2013		\$ 720,836	\$ 1,843	\$ 12,125	\$ 92,321	\$ 827,125
Total comprehensive income for the period		—	—	—	143,295	143,295
Common Shares issued on conversion of convertible debentures		25,681	(1,105)	—	—	24,576
Stock-based compensation expense		—	—	2,588	—	2,588
Common Shares issued on exercise of stock options	20	13,793	—	(3,386)	—	10,407
Dividends declared to common shareholders	16	—	—	—	(107,879)	(107,879)
Balance at December 31, 2013		\$ 760,310	\$ 738	\$ 11,327	\$ 127,737	\$ 900,112

The notes which begin on page 80 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(thousands)</i>	Note	Years ended December 31	
		2014	2013
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		\$ 94,633	\$ 143,295
Adjustments for:			
Depreciation of property, plant and equipment		69,295	69,499
Amortization of intangible assets		15,866	16,743
Finance costs	25	47,370	26,305
Stock-based compensation expense		1,633	2,588
Unrealized foreign exchange gain on cross-currency swaps	13	(9,345)	—
Foreign exchange		22,770	15,294
Change in fair value of investments		20,726	(20,935)
Gain on sale of subsidiary	27	(10,794)	—
(Gain) loss on sale of property, plant and equipment		(4,523)	1,118
Earnings from equity investment		(512)	(893)
Income tax expense		37,110	49,407
		284,229	302,421
Changes in non-cash working capital items from operating activities:			
Trade and other receivables		22,995	(10,413)
Inventory		(4,107)	(1,776)
Prepaid expenses		804	(10)
Accounts payable and accrued liabilities		2,520	2,466
Cash generated from operating activities		306,441	292,688
Income tax paid		(57,856)	(78,287)
Net cash from operating activities		248,585	214,401
Cash flows from financing activities:			
Cash dividends paid to common shareholders		(109,607)	(120,730)
Interest paid		(24,403)	(26,210)
Proceeds of long-term debt		426,415	311
Repayment of long-term debt and loans		(188,904)	(7,423)
Net proceeds from Common Share issuances		10,076	10,407
Changes in non-cash working capital items from financing activities		394	86
Net cash from (used in) financing activities		113,971	(143,559)
Cash flows from investing activities:			
Acquisitions	5	(28,606)	(15,665)
Purchase of property, plant and equipment		(125,743)	(133,686)
Proceeds on sale of property, plant and equipment		56,272	14,315
Purchases of investments		(3,543)	(23)
Cash contribution to equity investee	27	(2,560)	—
Interest received		1,112	839
Other assets		770	(1,238)
Changes in non-cash working capital items from investing activities		4,231	(770)
Net cash used in investing activities		(98,067)	(136,228)
Change in cash and cash equivalents		264,489	(65,386)
Cash and cash equivalents at January 1		58,236	122,772
Effect of exchange rate fluctuations on cash held		2,640	850
Cash and cash equivalents at December 31	6	\$ 325,365	\$ 58,236

The notes which begin on page 80 are an integral part of these consolidated financial statements.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

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

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgements

The preparation of these Annual Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates, judgements and assumptions. The carrying amount of assets, liabilities, accruals, provisions, other financial obligations, as well as the determination of fair values, contingent liabilities, reported income and expense in these Annual Financial Statements depends on the use of estimates, judgements and assumptions. In the process of applying the Corporation's accounting policies management takes into consideration existing circumstances and estimates at the date of these Annual Financial Statements, which affects the reported amounts of income and expenses during the reporting periods. Given the uncertainty inherent in determining these factors, actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant items impacted by such estimates and judgements are outlined below. Readers are cautioned that the foregoing list is not exhaustive and other items may also be affected by estimates and judgements.

Judgements

(i) *Property, Plant and Equipment and Intangible Assets*

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

(ii) *Impairment Tests*

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

Estimates

(i) *Acquisitions*

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



(ii) *Trade and Other Receivables*

Impairment of trade and other receivables is constantly monitored. Evidence of impairment could, for example, occur when the financial difficulties of a debtor become known or payment delays occur. Impairments are, in part, based on estimates using historical values, observed customer solvency, the aging of trade and other receivables and customer-specific and industry risks. In addition, Mullen Group reviews external credit ratings as well as bank and trade references when available. ► **For more information, refer to Notes 7 and 30.**

(iii) *Property, Plant and Equipment and Intangible Assets*

Depreciation and amortization are calculated using a systematic and rational basis, which are based upon an estimate of each assets useful life and residual value. The estimated useful life and residual value chosen are Mullen Group's best estimate of such and are based on industry norms, historical experience, market conditions and other estimates that consider the period and distribution of future cash inflows. ► **For more information, refer to Notes 9 and 11.**

(iv) *Impairment Tests*

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

(v) *Tax Assets*

The realization of deferred tax assets depends on the future taxable income of the respective Mullen Group subsidiaries. The continued recognition of deferred tax assets is based on estimates of internal projections of future earnings, tax deductions and anticipated income tax rates. ► **For more information, refer to Note 17.**

(vi) *Derivative Financial Instruments*

Mullen Group utilizes Derivatives such as cross-currency swaps (as hereafter defined on page 94) to manage its exposure to foreign currency risks relating to its U.S. dollar denominated debt. The fair value of Derivatives fluctuate depending on the estimate of certain underlying financial measures. The estimated fair value of Derivatives are based on observable market data, including foreign currency curves, interest rates and credit spreads. ► **For more information, refer to Note 13.**

3. Significant Accounting Policies

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

(a) *Basis of Consolidation*

These Annual Financial Statements include the accounts of Mullen Group, its subsidiaries and its limited partnerships. The financial statements of such subsidiaries and limited partnerships controlled by Mullen Group are included in these Annual Financial Statements from the date that control commenced until the date that control ceases. Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to attain benefits from its activities. The accounting policies of subsidiaries and limited partnerships are the same as those of the Corporation. For the year ended December 31, 2014, the scope of consolidation for these Annual Financial Statements encompassed 67 entities, of which six were a first time consolidation. The first time consolidations were a result of the acquisitions of Bernard Transport Ltd. ("**Bernard**") and Recon Utility Search N.A. Inc. During 2014 four entities ceased existence due to internal corporate reorganizations and the contribution of the Corporation's interest in Mill Creek Motor Freight L.P. ("**Mill Creek**") in exchange for a 30.0 percent equity interest in Kriska Transportation Group Limited ("**Kriska Transportation**"). ► **For more information, refer to Notes 5 and 12.**

(b) *Changes in Accounting Policies*

Effective January 1, 2014, Mullen Group adopted IFRIC 21 – Levies and the amendments made to IFRS 10 – Consolidated Financial Statements, IAS 28 – Investments in associates and joint ventures, IFRS 3 – Business combinations, IAS 32 – Financial Instruments: presentation and IAS 36 – Impairment of Assets. IFRIC 21 and the amendments made to IFRS 10, IAS 28, IFRS 3, IAS 32 and IAS 36 were applied retrospectively.

IFRIC 21 established the principles under which Mullen Group accounts for government levies. This standard provided guidance on when to recognize a liability to pay a government levy. The adoption of this standard did not have a material effect on Mullen Group.

The amendments made to IFRS 10 and IAS 28 establish the principles to account for the sale or contribution of assets between an investor and its associate or joint venture. These amendments clarify that a full gain or loss is recognized when the transaction involves the sale or contribution of a business, whereas a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments made to this standard resulted in Mullen Group recording a full gain on its contribution of Mill Creek to Kriska Transportation as the fair value received exceeded its corresponding book value.

The amendments made to IFRS 3 clarifies certain aspects of accounting for contingent consideration in a business combination. These amendments clarify the classification of contingent consideration as either a financial liability or an equity instrument. Subsequent to initial



measurement, contingent consideration classified as either a financial asset or financial liability is measured at fair value at the end of each reporting period, with any changes in fair value being recorded within the statement of comprehensive income. The amendments made to this standard did not have a material effect on Mullen Group.

The amendments made to IAS 32 clarified existing requirements for offsetting financial assets and financial liabilities. The amendments made to this standard did not have a material effect on Mullen Group.

The amendments made to IAS 36 changed certain disclosure requirements regarding the recoverable amount of goodwill and indefinite lived intangible assets. The amendments made to this standard did not have a material effect on Mullen Group.

(c) New Standards and Interpretations not yet adopted

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

The following table outlines the new accounting pronouncements issued by the IASB that are applicable to, or may have a future impact on, Mullen Group. The new pronouncement set forth below is effective for financial statements with annual periods beginning on or after January 1, 2017.

IFRS Title	Nature of Impending Change	IFRS Application Date	Impact of initial application on the Corporation's Financial Statements
IFRS 15 – Revenue from contracts with customers	IFRS 15 replaces existing IFRS and introduces a new revenue recognition model for contracts with customers. It also replaces existing guidance for contract costs and includes new disclosure requirements.	January 1, 2017 ⁽¹⁾	Management is currently completing its initial assessment of IFRS 15.

⁽¹⁾ This IFRS may be applied retroactively, or as of the application date by adjusting retained earnings using the cumulative effect approach. Early adoption is permitted.

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid short-term investments originally maturing within three months or less, net of bank indebtedness used for operational purposes. Bank indebtedness is repayable on demand and forms an integral part of the Corporation's cash management and is therefore included as a component of cash and cash equivalents for the purpose of the statement of cash flows. ► **For more information, refer to Note 6.**

(e) Inventory

Inventory consists primarily of repair parts, fuel and items for resale. Inventory is stated at the lower of cost or net realizable value. The cost of inventory is accounted for on a weighted average basis and includes expenditures incurred in acquiring the inventory, and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business less the estimated selling expenses. ► **For more information, refer to Note 8.**

(f) Goodwill

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

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

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

Goodwill is reviewed for impairment annually at December 31, or more frequently if there are indications that impairment may have occurred. Goodwill impairment is tested at the CGU level and is determined based upon the recoverable amount of each CGU compared to the CGU's respective carrying amount. At Mullen Group, the CGUs consist of each of its Operating Entities. The recoverable amount is the higher of FVLCD and the VIU. If the impairment loss exceeds the carrying amount of goodwill, the goodwill is written off completely. Any impairment loss left over is allocated to the remaining assets of the CGU. Impairment losses in respect of goodwill are irreversible. ► **For more information, refer to Note 3(l) and 10.**

(g) Intangible Assets

Intangible assets acquired as part of acquisitions are capitalized at fair value as determined at the date of acquisition and are subsequently stated at that capitalized cost less accumulated amortization and impairment losses. Intangible assets are mainly comprised of non-competition agreements and customer relationships' values which are amortized over their estimated life on a straight line basis over a period of five to ten years. ► **For more information, refer to Note 3(l) and 11.**



(h) Property, Plant and Equipment and Depreciation

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

When the cost of a part of an item of property, plant and equipment is significant in relation to the total cost of an item and the parts have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The costs of day-to-day servicing of property, plant and equipment are recognized in direct operating expenses. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other (income) expense. Depreciation of additions and disposals is prorated from the month of purchase or disposal. Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. No revisions to estimates were made in 2014 or 2013. Except for drilling equipment, depreciation is recorded annually over the estimated useful lives of the assets on the declining balance basis at the following depreciation rates:

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

Drilling equipment is depreciated by the unit-of-production method based on 1,500 operating days with a 20.0 percent residual value. ► **For more information, refer to Note 9.**

(i) Investment Properties

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

(j) Accounts Payable and Accrued Liabilities

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

(k) Foreign Currency

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

(l) Impairment of Assets

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

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

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



(m) Financial Instruments

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

(ii) *Non-Derivative Financial Assets*

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

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

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

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

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

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

(iii) *Non-Derivative Financial Liabilities*

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

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

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

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

Mullen Group initially recognizes debt securities issued and subordinated liabilities on the date that they originate. Mullen Group's long-term debt is mainly comprised of a series of unsecured debt as follows: CDN. \$70.0 million of Series C Notes, CDN. \$70.0 million of Series D Notes, U.S. \$85.0 million of Series E Notes, CDN. \$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, CDN. \$30.0 million of Series I Notes, CDN. \$3.0 million of Series J Notes, CDN. \$58.0 million of Series K Notes



and CDN. \$80.0 million of Series L Notes (collectively, the "**Private Placement Debt**"). Mullen Group also had debt comprised of various financing loans which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

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

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

(iv) *Derivative Financial Instruments*

Derivatives consist of financial contracts that derive their value from underlying changes in foreign exchange rates, interest rates, credit spreads or other financial measures. Mullen Group uses Derivatives such as cross-currency swaps (as hereafter defined on page 94) as part of its foreign exchange risk management strategy. Derivatives are measured initially at fair value. Subsequent to initial recognition, Derivatives are measured at FVTPL and are recorded in the statement of comprehensive income. Mullen Group has not designated any Derivatives as hedges for accounting purposes.

(v) *Equity*

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

(n) *Provisions*

A provision is recognized in the financial statements when Mullen Group has a material obligation, whether existing or potential, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the obligation is determined to be material, then the estimated amount of the provision is determined by discounting the expected future cash outflows. At December 31, 2014 and 2013, there were no significant provisions recognized in the Annual Financial Statements.

(o) *Revenue recognition*

Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contract terms generally do not include the provision of post-service obligations. Revenue is recognized when services are rendered and when collectability of the consideration is probable.

(p) *Leases*

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

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

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

(q) *Finance costs*

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



(r) Income tax

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

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

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

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

(s) Employee Benefits

(i) *Short-Term Employee Benefits*

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

(ii) *Stock-Based Compensation*

Mullen Group grants stock options to directors, officers, employees and consultants of Mullen Group under its stock option plan ("**Stock Option Plan**"). ► **For more information refer to Note 26.**

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

(t) Per Share Amounts

Basic per share amounts are calculated using the weighted average number of Common Shares outstanding during the period. Diluted per share amounts are calculated considering the effects of all dilutive potential ordinary shares. Mullen Group's dilutive potential ordinary shares assumes that all Debentures are converted into Common Shares on the later of the beginning of the period, or the date of issuance. It also assumes that all dilutive stock options are exercised and that the proceeds obtained on the exercise of dilutive stock options would be used to purchase Common Shares at the average market price during the period. The weighted average number of Common Shares outstanding is then adjusted accordingly. ► **For more information refer to Note 21.**

(u) Segmented Information

The Operating Entities are grouped into two distinct operating segments: Oilfield Services and Trucking/Logistics (the "**Operating Segments**"), both of which are supported by a Corporate segment. The Operating Entities within each of the Operating Segments share common economic characteristics and are differentiated by the type of service provided, equipment requirements and customer needs. The Operating Segments' financial results are reviewed regularly by the Corporation's chief operating decision-makers who make decisions about resource allocation and assess segment performance based on the internally prepared segment information.



(v) Acquisitions

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

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

4. Determination of Fair Values

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

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

(a) Trade and Other Receivables

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

(b) Property, Plant and Equipment

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

(c) Intangible Assets

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

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

(d) Investments

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

(e) Derivative Financial Instruments

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

(f) Accounts Payable and Accrued Liabilities

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



(g) Non-Derivative Financial Liabilities

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

Fair Values Versus Carrying Amounts

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

December 31, 2014			
Financial Instrument	Carrying Amount		Fair Value
Cash and cash equivalents	\$	325,365	\$ 325,365
Trade and other receivables		209,835	209,835
Investments (excluding investments accounted for by using the equity method)		31,364	31,364
Other assets		799	799
Total financial assets	\$	567,363	\$ 567,363
Accounts payable and accrued liabilities	\$	117,438	\$ 117,438
Dividends payable		9,161	9,161
Private Placement Debt		692,909	708,790
Debentures – debt component		12,083	15,115
Various Financing Loans		—	—
Total financial liabilities	\$	831,591	\$ 850,504
December 31, 2013			
Financial Instrument	Carrying Amount		Fair Value
Cash and cash equivalents	\$	58,236	\$ 58,236
Trade and other receivables		234,485	234,485
Investments (excluding investments accounted for by using the equity method)		48,547	48,547
Other assets		1,565	1,565
Total financial assets	\$	342,833	\$ 342,833
Accounts payable and accrued liabilities	\$	108,963	\$ 108,963
Dividends payable		9,066	9,066
Private Placement Debt		409,095	436,106
Debentures – debt component		16,070	19,873
Various Financing Loans		391	379
Total financial liabilities	\$	543,585	\$ 574,387

5. Acquisitions

2014 Acquisitions

Recon Utility Search N.A. Inc. – On November 5, 2014, Mullen Group acquired the business of and facilities used by Recon Utility Search N.A. Inc., which now operates as Recon Utility Search L.P. ("Recon") for net cash consideration of \$21.7 million, including \$3.0 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to \$3.0 million for achieving certain financial targets in the 2015, 2016, and 2017 fiscal years. Mullen Group has estimated the fair value of this contingent consideration to be \$3.0 million, which was based on management's best estimate of Recon's pro forma operating results for the 2015, 2016 and 2017 fiscal years. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. Recon is headquartered in Hardisty, Alberta and provides specialized vacuum and hydro-vac services mainly to the oil and gas pipeline industry within Alberta, Canada. Mullen Group acquired this business as part of its strategy to invest in the energy sector. The results from Recon's operations are included in the Oilfield Services segment.

Bernard Transport Ltd. – On October 1, 2014, Mullen Group acquired all of the issued and outstanding shares of Bernard for cash consideration of \$6.9 million. Bernard is headquartered in Edmonton, Alberta and provides less-than-truckload ("LTL") transportation services within Alberta. Mullen Group acquired Bernard as part of its strategy to invest in the transportation sector in western Canada. The results from Bernard's operations are included in the Trucking/Logistics segment.



2013 Acquisition

On May 31, 2013, Mullen Group acquired all the outstanding common shares of Jay's Moving & Storage Ltd. ("Jay's") for net cash consideration of \$15.7 million. Jay's is a LTL transportation company operating predominantly within Saskatchewan, Canada. Mullen Group acquired Jay's as part of its strategy to invest in the transportation sector in western Canada. The results from Jay's operations are included in the Trucking/Logistics segment.

These acquisitions have been accounted for by the acquisition method, and results of operations have been included in these Annual Financial Statements from the date of acquisition. The goodwill acquired in these acquisitions primarily relates to the assembled workforce and the synergies from the integration of the acquired business. In 2014 there was \$7.8 million (2013 – nil) of goodwill acquired that is deductible for tax purposes.

	2014	2013
Assets:		
Non-cash working capital items	\$ 1,826	\$ 3,083
Property, plant and equipment	8,752	11,184
Intangible assets	5,561	5,500
Goodwill	13,355	4,845
Other assets	—	9
	29,494	24,621
Assumed liabilities:		
Due to shareholders	—	5,918
Deferred income taxes	888	3,038
	888	8,956
Net assets before cash and cash equivalents	28,606	15,665
Cash and cash equivalents	1,188	608
Net assets	29,794	16,273
Consideration:		
Cash	26,794	16,273
Contingent consideration	3,000	—
	\$ 29,794	\$ 16,273

6. Cash and Cash Equivalents

	December 31 2014	December 31 2013
Cash	\$ 324,695	\$ 58,236
Short-term investments	670	—
Cash and cash equivalents	\$ 325,365	\$ 58,236

Cash and cash equivalents are comprised of cash and highly liquid short-term investments held at Canadian financial institutions that are rated AA- and A-1 by S&P Credit Rating as at December 31, 2014.



7. Trade and Other Receivables

	December 31 2014	December 31 2013
Trade receivables	\$ 196,056	\$ 210,420
Amounts due from related parties	25	2,552
Other receivables	13,754	21,513
	\$ 209,835	\$ 234,485

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

	December 31 2014	December 31 2013
Current	\$ 209,835	\$ 234,485
Non-current	\$ —	\$ —

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

	December 31 2014	December 31 2013
Current 0-30 days	\$ 111,430	\$ 114,598
Past due 31-60 days	57,845	67,265
Past due 61-90 days	15,293	17,542
More than 90 days	15,046	13,755
	199,614	213,160
Allowance for doubtful accounts	3,558	2,740
Total trade receivables (net of impairment)	\$ 196,056	\$ 210,420

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

	2014	2013
Balance at January 1	\$ 2,740	\$ 2,646
Acquired during the year	—	33
Bad debts recognized	(360)	(430)
Allowance for doubtful accounts recorded	2,274	1,626
Allowance for doubtful accounts reversed	(1,096)	(1,135)
Balance at December 31	\$ 3,558	\$ 2,740

8. Inventory

	December 31 2014	December 31 2013
Inventory of repair parts and fuel	\$ 28,995	\$ 27,386
Inventory for resale	9,152	6,757
	\$ 38,147	\$ 34,143



9. Property, Plant and Equipment

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Drilling equipment	Total
Cost					
Balance at January 1, 2014	\$ 418,466	\$ 677,470	\$ 238,361	\$ 30,716	\$ 1,365,013
Additions ⁽¹⁾	42,116	73,500	18,879	—	134,495
Disposals	(21,209)	(66,906)	(19,611)	(41)	(107,767)
Balance at December 31, 2014	439,373	684,064	237,629	30,675	1,391,741
Accumulated Depreciation					
Balance at January 1, 2014	35,415	272,869	145,543	7,930	461,757
Depreciation expense	6,127	41,888	20,714	566	69,295
Disposals	(454)	(35,697)	(14,859)	—	(51,010)
Balance at December 31, 2014	41,088	279,060	151,398	8,496	480,042
Net book value at December 31, 2014	\$ 398,285	\$ 405,004	\$ 86,231	\$ 22,179	\$ 911,699

	Land and buildings	Trucks and trailers	Miscellaneous Equipment	Drilling equipment	Total
Cost					
Balance at January 1, 2013	\$ 368,102	\$ 628,970	\$ 228,214	\$ 30,716	\$ 1,256,002
Additions ⁽¹⁾	50,745	73,260	20,865	—	144,870
Disposals	(381)	(24,760)	(10,718)	—	(35,859)
Balance at December 31, 2013	418,466	677,470	238,361	30,716	1,365,013
Accumulated Depreciation					
Balance at January 1, 2013	29,639	244,447	131,250	7,348	412,684
Depreciation expense	5,838	41,894	21,185	582	69,499
Disposals	(62)	(13,472)	(6,892)	—	(20,426)
Balance at December 31, 2013	35,415	272,869	145,543	7,930	461,757
Net book value at December 31, 2013	\$ 383,051	\$ 404,601	\$ 92,818	\$ 22,786	\$ 903,256

⁽¹⁾ Additions include property, plant, and equipment purchased by way of business acquisition of \$8.8 million (2013 – \$11.2 million). ► **For more information, refer to Note 5.**

At December 31, 2014, property, plant and equipment includes equipment under finance leases which are recorded at cost, totalling nil million (2013 – \$0.7 million), less accumulated depreciation of nil million (2013 – \$0.2 million), resulting in a net book value nil million (2013 – \$0.5 million). At December 31, 2014, land and buildings include \$21.5 million of investment properties held to earn rental income, of which \$18.2 million was purchased in 2014. In addition \$3.3 million was transferred to investment properties in connection with the formation of Kriska Transportation. The fair market value of such transferred property was \$5.7 million.

10. Goodwill

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

	2014	2013
Gross amount of goodwill	\$ 1,142,440	\$ 1,137,595
Accumulated impairment	898,000	898,000
Balance at January 1	\$ 244,440	\$ 239,595
Goodwill acquired during the year	13,355	4,845
Impairment of goodwill	—	—
Balance at December 31	\$ 257,795	\$ 244,440



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Years ended December 31, 2014 and 2013

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

At December 31, 2014, the Oilfield Services segment had a carrying value of \$174.1 million of goodwill, an increase of \$10.5 million from the \$163.6 million recorded in 2013. This increase was a result of acquiring the business of and facilities used by Recon Utility Search N.A. Inc. The Trucking/Logistics segment had a carrying value of \$83.7 million of goodwill in 2014 as compared to \$80.8 million in 2013. This \$2.9 million increase was a result of the acquisition of Bernard. ► **For more information, refer to Note 5.**

The following table summarizes the significant carrying amounts of goodwill:

	December 31		December 31	
	2014		2013	
CGU				
Formula Powell L.P.	\$	56,564	\$	56,564 ⁽¹⁾
Kleysen Group L.P.		34,099		34,099
Cascade Energy Services L.P.		32,442		32,442 ⁽¹⁾
Hi-Way 9 Group of Companies		20,045		20,045
Heavy Crude Hauling L.P.		16,989		16,989
Tenold Transportation Limited Partnership		15,209		15,209
Other CGUs		82,447		69,092
Total Goodwill	\$	257,795	\$	244,440

⁽¹⁾ In 2013 the increase in the carrying amount of goodwill within Formula Powell L.P. and Cascade Energy Services L.P. resulted from the operations of Polaris Petroleum Ltd. and Pro North Oilfield Services being integrated into these CGUs, respectively.

(a) Impairment Testing for Cash Generating Units Containing Goodwill

At December 31, 2014 and 2013, ("Valuation Dates") Mullen Group performed its annual impairment tests for goodwill and concluded that there was no impairment of goodwill in any of its CGUs as the recoverable amount for these CGUs were higher than their respective carrying amount. Recognition of any impairment of goodwill would be recognized as an expense and reduce book equity and net income but it would not impact cash flows.

(b) Recoverable Amount

Mullen Group determines the recoverable amount for its CGUs based on the higher of the FVLCD and VIU. The recoverable amount was determined using either a discounted cash flow approach for CGUs that contain a significant amount of goodwill or an earnings multiple approach for those CGUs that do not contain a significant amount of goodwill. The VIU was determined by discounting the future cash flows generated from Mullen Group's continuing use of the CGU. The discounted cash flow model employed by the Corporation reflects the specifics of each CGU and its business environment. The model calculates the present value of the estimated future earnings of each CGU.

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

	Discount rate		Terminal value growth rate	
	December 31	December 31	December 31	December 31
	2014	2013	2014	2013
CGU				
Formula Powell L.P.	11.0%	11.0%	2.5%	2.5%
Kleysen Group L.P.	12.5%	12.5%	2.5%	2.5%
Cascade Energy Services L.P.	12.0%	12.5%	2.5%	2.5%
Hi-Way 9 Group of Companies	12.0%	12.0%	2.5%	2.5%
Heavy Crude Hauling L.P.	12.5%	12.5%	2.5%	2.5%
Tenold Transportation Limited Partnership	12.5%	12.5%	2.5%	2.5%
Other	12.5% - 13.0%	12.5% - 13.0%	2.5%	2.5%

- (i) Cash flows were projected based on past experience, actual operating results and the one year business plan for the immediate year. Cash flows for a further four year period were extrapolated using a constant growth rate of 2.5 percent with adjustments reflecting an expectation of changes in the general economy, forecasted changes in drilling activity and an Operating Entity's respective markets, and represents the Corporation's best estimate of the set of economic conditions that are expected to exist over the forecast period.
- (ii) The terminal value growth rate is based on management's best estimate of the long-term growth rate for its CGUs after the forecast period, considering historic performance and future economic forecasts.



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

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

	Change in discount rate		Change in terminal value growth rate	
	December 31	December 31	December 31	December 31
	2014	2013	2014	2013
CGU				
Formula Powell L.P.	0.8%	0.4%	(1.2)%	(0.5)%
Kleysen Group L.P.	4.0%	4.3%	(7.0)%	(7.5)%
Cascade Energy Services L.P.	1.2%	0.7%	(0.8)%	(1.1)%
Hi-Way 9 Group of Companies	1.6%	1.5%	(2.5)%	(2.2)%
Heavy Crude Hauling L.P.	5.9%	9.3%	(14.7)%	(30.3)%
Tenold Transportation Limited Partnership	4.0%	11.2%	(7.0)%	(27.3)%

For the earnings multiple approach, the Corporation uses a multiple of earnings before interest, taxes, depreciation and amortization by applicable CGU. To determine fair value, a range of multiples between 0.8 and 5.7 times earnings was applied to those CGUs that did not have a significant amount of goodwill. The multiples were determined by looking at multiples of comparable public companies and precedent transactions. The fair value of each of these CGUs were categorized as Level 2 fair value based on the observable inputs.

For all CGUs the recoverable amount was greater than the CGU's carrying value, including goodwill.

11. Intangible Assets

Intangible assets are mainly comprised of customer relationships and non-competition agreements acquired through business combinations. They are amortized over their estimated useful lives.

	Opening balance at January 1 2013	Additions (Amortization)	Closing balance at December 31 2013	Additions (Amortization)	Closing balance at December 31 2014
Cost	\$ 200,253	\$ 5,500	\$ 205,753	\$ 5,561	\$ 211,314
Amortization	(147,268)	(16,743)	(164,011)	(15,866)	(179,877)
Carrying amount	\$ 52,985		\$ 41,742		\$ 31,437

12. Investments

	December 31 2014	December 31 2013
Investments	\$ 31,364	\$ 48,547
Investments – equity method	21,428	916
	\$ 52,792	\$ 49,463

(a) Investments

Mullen Group periodically invests in certain private and public corporations. As at December 31, 2014, Mullen Group holds 4,674,625 shares, representing approximately 13.9 percent of the total issued and outstanding shares of Logan International Inc., a Toronto Stock Exchange listed company.

(b) Investments accounted for by the equity method

2014 Investment

On December 1, 2014, Mullen Group entered into a share transfer agreement whereby it contributed its interest in Mill Creek in exchange for a 30.0 percent equity interest in Kriska Transportation. Kriska Transportation is a growth oriented transportation and logistics company based in Prescott, Ontario. Mullen Group acquired an equity interest in Kriska Transportation as part of its strategy to invest in the transportation sector in eastern Canada. In 2014 the aggregate amount of Mullen Group's share of net income and total comprehensive income from Kriska Transportation and Canol Oilfield Services Inc. ("Canol") was \$0.5 million (2013 – \$0.9 million). ► For more information refer to Note 27.



2013 Investment

On January 1, 2013, Mullen Group entered into a unanimous shareholders agreement and an asset purchase agreement whereby it sold certain operating assets to Canol in exchange for a \$1.2 million promissory note and a 45.0 percent equity interest in Canol. Canol is an oilfield transportation company headquartered in Norman Wells, Northwest Territories and is strategically located in the Canol Shale Oil Region. Mullen Group acquired an equity interest in Canol as part of its strategy to invest in the energy sector.

13. Derivative Financial Instruments

In conjunction with the pricing of the 2014 Notes (as hereafter defined on page 97), 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.

For the year ended December 31, 2014, Mullen Group recorded a net unrealized foreign exchange loss of \$15.6 million (2013 – \$16.1 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 Loss	CDN. \$ Equivalent	
	Years ended December 31	
	2014	2013
Unrealized foreign exchange loss on U.S. debt	\$ 24,915	\$ 16,144
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps	(9,345)	—
Net unrealized foreign exchange loss	\$ 15,570	\$ 16,144

For the year ended December 31, 2014, Mullen Group recorded an unrealized foreign exchange loss on U.S. debt of \$24.9 million (2013 – \$16.1 million) as summarized in the table below:

(\$ thousands, except exchange rate amount)	Years ended December 31					
	2014			2013		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Beginning – January 1	235,000	1.0636	249,945	235,000	0.9949	233,801
Add: Series G and Series H Notes	229,000	1.1262	257,906	—	—	—
Less: Repayment of Series A and Series B Notes	(150,000)	1.1233	(168,495)	—	—	—
Subtotal	314,000	—	339,356	235,000	—	233,801
Ending – December 31	314,000	1.1601	364,271	235,000	1.0636	249,945
Unrealized foreign exchange loss on U.S. debt			24,915			16,144

For the year ended December 31, 2014, Mullen Group recorded an unrealized foreign exchange gain on its Cross-Currency Swaps of \$9.3 million (2013 – nil). 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	U.S. \$ Swaps	CDN. \$ change in fair value of Swaps
Cross-Currency Swap maturing October 22, 2024	\$ 117,000	\$ (5,087)
Cross-Currency Swap maturing October 22, 2026	112,000	(4,258)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps	\$	(9,345)

14. Other Assets

	December 31	
	2014	2013
Promissory note - Canol	\$ 500	\$ 1,241
Other	299	324
	\$ 799	\$ 1,565



15. Accounts Payable and Accrued Liabilities

	December 31		December 31	
	2014		2013	
Trade payables	\$	43,122	\$	38,585
Amounts due to related parties		83		—
Non-trade payables and accrued liabilities		74,233		70,378
	\$	117,438	\$	108,963

16. Dividends Payable

For the year ended December 31, 2014, Mullen Group declared monthly dividends of \$0.10 per Common Share totalling \$1.20 per Common Share (2013 – \$1.20 per Common Share). At December 31, 2014, Mullen Group had 91,610,709 Common Shares outstanding and a dividend payable of \$9.2 million (2013 – \$9.1 million), which was paid on January 15, 2015. Mullen Group also declared a dividend of \$0.10 per Common Share on January 20, 2015, to the holders of record at the close of business on January 31, 2015.

17. Income Taxes

Deferred tax assets totalling \$9.1 million (2013 – \$3.0 million) consist mainly of the temporary differences arising from the purchase of goodwill on asset acquisitions, intangible assets and from deferred interest, which resulted from the prepayment of the Series A and Series B Notes. Recognized deferred tax assets and liabilities consist of the following:

December 31, 2014	Assets		Liabilities		Net
Property, plant and equipment	\$	—	\$	(97,484)	\$ (97,484)
Goodwill – asset acquisitions		2,792		(2,830)	(38)
Intangible assets		446		(5,182)	(4,736)
Investments		1,252		(1,767)	(515)
Financing fees		—		(139)	(139)
Holdbacks and deferred interest		4,588		(255)	4,333
Debentures		—		(68)	(68)
Partnership income		—		(19,776)	(19,776)
	\$	9,078	\$	(127,501)	\$ (118,423)

December 31, 2013	Assets		Liabilities		Net
Property, plant and equipment	\$	—	\$	(96,412)	\$ (96,412)
Goodwill – asset acquisitions		2,641		(3,139)	(498)
Intangible assets		374		(7,284)	(6,910)
Investments		—		(1,451)	(1,451)
Financing fees		—		(203)	(203)
Holdbacks		—		(554)	(554)
Debentures		—		(118)	(118)
Net unrealized foreign exchange loss (gain)		—		(823)	(823)
Partnership income		—		(28,935)	(28,935)
	\$	3,015	\$	(138,919)	\$ (135,904)

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

	Years ended December 31			
	2014		2013	
Deferred tax to be settled within 12 months	\$	(13,833)	\$	(14,341)
Deferred tax to be settled after more than 12 months		(104,590)		(121,563)
	\$	(118,423)	\$	(135,904)



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

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

	Balance January 1 2014	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2014
Property, plant and equipment	\$ (96,412)	\$ (189)	\$ (883)	\$ —	\$ (97,484)
Goodwill – asset acquisitions	(498)	460	—	—	(38)
Intangible assets	(6,910)	2,174	—	—	(4,736)
Investments	(1,451)	936	—	—	(515)
Financing fees	(203)	64	—	—	(139)
Debt financing costs	—	4,588	—	—	4,588
Holdbacks	(554)	299	—	—	(255)
Debentures	(118)	12	—	38	(68)
Net unrealized foreign exchange loss (gain)	(823)	823	—	—	—
Partnership income	(28,935)	9,159	—	—	(19,776)
	\$ (135,904)	\$ 18,326	\$ (883)	\$ 38	\$ (118,423)

	Balance January 1 2013	Recognized in net income	Acquired in business combinations	Recognized directly in equity	Balance December 31 2013
Property, plant and equipment	\$ (92,200)	\$ (2,533)	\$ (1,679)	\$ —	\$ (96,412)
Goodwill – asset acquisitions	(209)	(289)	—	—	(498)
Intangible assets	(9,201)	3,650	(1,359)	—	(6,910)
Investments	1,278	(2,729)	—	—	(1,451)
Loss carry-forwards	1	(1)	—	—	—
Financing fees	(190)	(13)	—	—	(203)
Holdbacks	(392)	(162)	—	—	(554)
Debentures	(360)	(34)	—	276	(118)
Net unrealized foreign exchange loss (gain)	(2,841)	2,018	—	—	(823)
Partnership income	(37,949)	9,014	—	—	(28,935)
	\$ (142,063)	\$ 8,921	\$ (3,038)	\$ 276	\$ (135,904)

Income tax expense of \$37.1 million (2013 – \$49.4 million) is comprised of current and deferred tax as follows:

	Years ended December 31	
	2014	2013
Current	\$ 55,436	\$ 58,328
Deferred	(18,326)	(8,921)
	\$ 37,110	\$ 49,407

The combined statutory tax rate was approximately 26 percent in 2014 (2013 – 25 percent). Mullen Group's combined statutory tax rate increased slightly due to a greater proportion of its revenue being generated in higher taxed jurisdictions. The reconciliation of the effective tax rate is as follows:

	Years ended December 31	
	2014	2013
Income before income taxes	\$ 131,743	\$ 192,702
Combined statutory tax rate	26%	25%
Expected income tax	34,253	48,176
Add (deduct):		
Non-deductible portion of net unrealized foreign exchange loss	1,908	2,018
Non-deductible (taxable) portion of the change in fair value of investments	2,591	(2,617)
Stock-based compensation expense	408	647
Other	(2,050)	1,183
Income tax expense	\$ 37,110	\$ 49,407



18. Long-Term Debt and Credit Facilities

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 December 31, 2014, 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 \$1.6 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 its Private Placement Debt, the details of which are set forth below:

Notes	Principal amount	Maturity	Interest Rate ⁽¹⁾
Series C	\$ 70,000 CDN.	June 30, 2016	5.60%
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 September 16, 2014, Mullen Group entered into a Note Purchase Agreement whereby it agreed to issue several series of senior unsecured notes, including Series G, Series H, Series I, Series J, Series K and Series L (collectively, the "**2014 Notes**"). The 2014 Notes were issued on a private placement basis largely under the same terms as its existing notes and were drawn on October 22, 2014. A portion of the proceeds from the Series G and Series H Notes were used to repay the Series A and Series B Notes. Mullen Group recorded a \$20.0 million adjustment to the carrying amount of the Series A and Series B Notes to reflect the revised estimated cash flows resulting from the prepayment. The one-time \$20.0 million expense related to the prepayment is a direct result of Mullen Group's decision to prepay the Series A and Series B 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 one-time adjustment to the carrying amount was recognized within the statement of comprehensive income. ► **For more information, refer to Note 25.**

Mullen Group entered into Cross-Currency Swaps to swap the Series G and Series H Notes into Canadian dollars at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 24, 2026, respectively. ► **For more information, refer to Note 13.**

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 December 31, 2014 (December 31, 2013 – \$0.9 million). Mullen Group has certain financial covenants under its unsecured Private Placement Debt. There are two main financial covenants, as summarized below:

Total Debt to Operating Cash Flow. Mullen Group's total debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total debt**" means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and Letters of Credit, excluding the Debentures. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve month consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) depreciation and amortization taken during such period, (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges.

Total debt to operating cash flow was calculated as follows:

	December 31, 2014		December 31, 2013	
Total debt to operating cash flow				
Total debt	\$	694,483	\$	412,460
Operating cash flow	\$	287,434	\$	304,054
Total debt to operating cash flow		2.42:1		1.36:1

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 chart below, is in compliance with both of the aforementioned covenants.

Financial Covenants	Financial Covenant Threshold	December 31, 2014	December 31, 2013
Private Placement Debt Covenants			
(a) Total debt to operating cash flow cannot exceed	3.50:1	2.42:1	1.36:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	5:30:1	9.06:1

Mullen Group also has debt comprised of Various Financing Loans, which are secured by specific operating equipment.

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

	December 31, 2014	December 31, 2013
Current liabilities:		
Bank Credit Facility	\$ —	\$ —
Various Financing Loans	—	277
	—	277
Non-current liabilities:		
Private Placement Debt	692,909	409,095
Various Financing Loans	—	114
	692,909	409,209
	\$ 692,909	\$ 409,486

The details of long-term debt, as at the date hereof, are as follows:

Year of Maturity	Nominal Interest Rate	December 31, 2014		December 31, 2013		
		Face Value	Carrying Amount	Face Value	Carrying Amount	
		\$	\$	\$	\$	
Bank Credit Facility	—	Variable	—	—	—	—
Private Placement Debt	2016 - 2026	3.84% - 5.90%	695,271	692,909	409,946	409,095
Various Financing Loans	2014	6.3%	—	—	391	391
			695,271	692,909	410,337	409,486

19. Convertible Unsecured Subordinated Debentures

On May 1, 2009, Mullen Group issued the Debentures at a price of \$1,000 per Debenture. The Debentures mature on July 1, 2018 and bear interest at an annual rate of 10.0 percent payable quarterly in arrears on March 31, June 30, September 30, and December 31 in each year. Each \$1,000 Debenture is convertible into 93.2 Common Shares of Mullen Group (or a conversion price of \$10.73) at any time at the option of the holders of the Debentures. As at the date of issuance, an aggregate of approximately 11.65 million Common Shares of Mullen Group would be issued if all holders converted their principal amount. In addition to the principal amount, as Debentures are converted, any accrued and unpaid interest is also converted into Common Shares of Mullen Group at a conversion price of \$10.73. As subordinated debt, the accounting value assigned to the Debentures, including any related interest expense is excluded from Mullen Group's financial covenant calculations on its Private Placement Debt. The Debentures are also subordinated to the Bank Credit Facility.

The equity portion of the Debentures are reclassified to share capital as the Debentures are converted into Common Shares. For the twelve month period ended December 31, 2014, 4,250 Debentures (2013 – 24,985) were converted into 401,229 Common Shares (2013 – 2,367,182) of Mullen Group. As at December 31, 2014, Mullen Group had 12,445 Debentures outstanding, which would be converted into an aggregate of approximately 1,159,874 Common Shares of the Corporation if all holders converted their principal amount.

The details of the Debentures are as follows:

Year of Maturity	Nominal Interest Rate	December 31, 2014		December 31, 2013	
		Face Value	Carrying Amount	Face Value	Carrying Amount
2018	10%	\$ 12,445	\$ 12,083	\$ 16,695	\$ 16,070



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

	Cumulative as at	
	December 31, 2014	December 31, 2013
Proceeds from issue of Debentures	\$ 125,000	\$ 125,000
Debt issuance costs	(2,335)	(2,335)
Net proceeds	122,665	122,665
Amount classified as equity	(7,200)	(7,200)
Debentures converted to Common Shares	(112,555)	(108,305)
Accretion on debt	9,173	8,910
Carrying amount of Debentures	\$ 12,083	\$ 16,070

20. Share Capital

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

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

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

	Note	# of Common Shares	
		2014	2013
Issued Common Shares at January 1		90,662,413	87,667,838
Stock options exercised	26	547,067	627,393
Common Shares issued on conversion of Debentures	19	401,229	2,367,182
Issued Common Shares at December 31		91,610,709	90,662,413

21. 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 year ended December 31, 2014, was \$94.6 million (2013 – \$143.3 million). The weighted average number of Common Shares outstanding for the years ended December 31, 2014 and 2013 was calculated as follows:

	Note	Years ended December 31	
		2014	2013
Issued Common Shares at January 1	20	90,662,413	87,667,838
Effect of stock options exercised		405,053	328,400
Effect of Debentures Converted		309,599	1,767,572
Weighted average number of Common Shares at end of period – basic		91,377,065	89,763,810



(b) Diluted Earnings per Share

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

	Years ended December 31	
	2014	2013
Net income	\$ 94,633	\$ 143,295
Effect on finance costs from conversion of Debentures (net of tax)	263	1,468
Net income – adjusted	\$ 94,896	\$ 144,763

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

	Years ended December 31	
	2014	2013
Weighted average number of Common Shares – basic	91,377,065	89,763,810
Effect of "in the money" stock options	398,613	582,898
Effect of conversion of Debentures	1,251,504	2,155,584
Weighted average number of Common Shares at end of period – diluted	93,027,182	92,502,292

For the year ended December 31, 2014, 170,000 stock options (2013 – 360,000) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended December 31, 2014 and 2013. For all the periods listed above, the Common Shares that would be issued upon conversion of the Debentures were included in the calculation as their effect was dilutive. ► **For more information on stock options and Debentures, refer to Notes 26 and 19, respectively.**

22. Revenue

During the year, 93.5 percent of revenue was from the rendering of services, 4.5 percent of revenue was from the sale of goods and 2.0 percent was from construction contracts as compared to 93.8 percent, 3.6 percent, and 2.6 percent, respectively, for the year ended December 31, 2013.

23. Personnel Costs

	Years ended December 31	
	2014	2013
Wages, salaries and benefits	\$ 377,855	\$ 383,290
Stock-based compensation expense	1,633	2,588
	\$ 379,488	\$ 385,878

In 2014 personnel costs of \$273.7 million (2013 – \$282.1 million) were recognized within direct operating expenses and \$105.8 million (2013 – \$103.8 million) were recognized within selling and administrative expenses.

24. Operating Leases

Mullen Group is committed to payments under several operating leases until 2020 and thereafter. The majority of Mullen Group's operating leases are for land and buildings. Mullen Group also has operating leases for certain operating equipment. Mullen Group has operating lease commitments as follows:

	December 31, 2014	December 31, 2013
Less than one year	\$ 6,987	\$ 8,423
Between one and five years	12,067	16,865
More than five years	5,202	12,520
	\$ 24,256	\$ 37,808

Total operating lease payments for the year ended December 31, 2014, were \$9.5 million (2013 – \$10.3 million).



25. Finance Costs

	Years ended December 31	
	2014	2013
Adjusted carrying amount (Series A and B Notes)	\$ 20,018	\$ —
Interest expense on financial liabilities measured at amortized cost	27,869	26,711
Accretion on debt	595	433
Finance expense	48,482	27,144
Less: Interest income from cash and cash equivalents	(1,112)	(839)
Finance costs	\$ 47,370	\$ 26,305

Mullen Group adjusted the carrying amount of the Series A and Series B Notes. ► For more information refer to Note 18.

26. Share-Based Compensation Plans

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

In estimating expected stock price volatility at the time of a particular stock option grant, Mullen Group relies on observations of historical volatility trends. In determining the expected term of the option grants, Mullen Group has observed the actual terms of prior grants with similar characteristics and the actual vesting schedule of the grant.

Other assumptions required for estimating fair value with the Black-Scholes model are the expected risk-free interest rate and expected dividend yield of Mullen Group's Common Shares. The risk-free interest rates used were the Canadian Treasury zero-coupon rates for bonds matching the expected term of the option on the date of grant. The expected dividend yield of Mullen Group's Common Shares over the expected term of the option was determined based on the Corporation's dividend policy on the date of grant. The expected forfeiture rate was determined based on the Corporation's prior historical forfeiture rates on the date of grant.

The total number of stock options available to be granted under the Stock Option Plan cannot exceed 4,000,000. Each stock option will entitle the option-holder to acquire one Common Share of Mullen Group. Under the Stock Option Plan, the exercise price of a stock option granted shall be as determined by the Board of Directors when the stock option is granted subject to any limitations imposed by any relevant stock exchange or regulatory authority, and shall be an amount at least equal to the weighted average trading price of the Common Shares of Mullen Group for the five consecutive trading days immediately preceding the day of grant of the stock option. These options vest in one to five years and expire in five to ten years.

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

Stock Option Plan:	Options		Weighted average exercise price
Outstanding December 31, 2012	2,389,485	\$	18.54
Granted	265,000		23.94
Exercised	(627,393)		(16.59)
Forfeited	(128,258)		(20.24)
Outstanding December 31, 2013	1,898,834	\$	19.82
Granted	115,000		27.78
Exercised	(547,067)		(18.42)
Forfeited	(45,000)		(21.67)
Outstanding December 31, 2014	1,421,767	\$	20.94
Stock options exercisable December 31, 2013	383,834	\$	16.39
Stock options exercisable December 31, 2014	656,767	\$	18.21



The range of exercise prices for options outstanding at December 31, 2014 was as follows:

Range of Exercise Prices	Options Outstanding			Exercisable Options		
	Number	Weighted average remaining contractual life (years)	Weighted average exercise price	Number	Weighted average exercise price	
\$8.34 to \$17.83	230,079	4.5	\$ 16.34	230,079	\$ 16.34	
\$17.84 to \$19.20	420,000	6.1	19.20	420,000	19.20	
\$19.21 to \$21.36	316,688	7.2	21.34	6,688	20.45	
\$21.37 to \$28.07	455,000	8.5	24.60	—	—	
\$8.34 to \$28.07	1,421,767	6.8	\$ 20.94	656,767	\$ 18.21	

The following weighted average assumptions were used to determine the fair value of options issued in 2014 and 2013 under the Stock Option Plan on the date of grant:

	2014	2013
Fair value	6.55	\$4.94
Risk-free interest rate	1.41%	1.36%
Expected life	5 years	5 years
Forfeiture rate	5.0% per annum	5.0% per annum
Expected dividend	\$1.20 per share per annum	\$1.20 per share per annum
Expected share price volatility	24.5	35.4

27. Other (Income) Expense

	Years ended December 31	
	2014	2013
Gain on sale of subsidiary	\$ (10,794)	\$ —
Change in fair value of investments	20,726	(20,935)
(Gain) loss on sale of property, plant and equipment	(4,523)	1,118
Earnings from equity investment	(512)	(893)
	\$ 4,897	\$ (20,710)

The following table details the gain on sale of subsidiary resulting from contributing the Corporation's interest in Mill Creek in exchange for a 30.0 percent equity interest in Kriska Transportation:

Fair value of share consideration received	\$	20,000
Less assets contributed:		
Property, plant and equipment		(5,008)
Trade and other receivables		(4,062)
Cash and cash equivalents		(2,560)
Prepaid expenses		(292)
Inventory		(103)
Current tax receivable		(5)
Add liabilities contributed:		
Accounts payable and accrued liabilities		2,815
Deferred tax liabilities		5
Other assets		4
Gain on sale of subsidiary	\$	10,794



28. Contingent Liabilities

Mullen Group is involved in various claims and actions arising in the course of its operations and is subject to various legal actions and possible claims. Although the outcome of these claims cannot be predicted with certainty, Mullen Group does not expect these matters to have a material adverse effect on its financial position, cash flows or results from operations. Accruals for litigation, claims and assessments are recognized if Mullen Group determines that the loss is probable and the amount can be reasonably estimated. If an unfavorable outcome were to occur, there exists the possibility of a material adverse impact on Mullen Group's consolidated net earnings in the period in which the outcome is determined. Mullen Group is of the opinion that losses, if any, arising from other outstanding or possible legal actions would not have a material effect on these consolidated financial statements as Mullen Group has adequate insurance coverage to cover such claims.

29. Capital Commitments

Capital expenditures approved and committed to but not provided for in these accounts at December 31, 2014, amounted to \$36.6 million. The majority of these capital expenditure commitments will be completed in fiscal 2015.

30. Financial Instruments

Mullen Group's operating activities expose it to a variety of financial risks. These financial risks consist of certain credit, liquidity, and market risks associated with Mullen Group's financial assets and financial liabilities. Mullen Group has established and follows certain policies and procedures to mitigate these risks and continually monitors its exposure to all significant risks to assess the impact on its operating activities. Mullen Group does not hold or use any derivative financial instruments for trading or speculative purposes. The following details Mullen Group's exposure to credit, liquidity, and market risks.

(a) Credit Risk

Credit risk is the risk of financial loss to Mullen Group if a customer or counterparty to a financial asset fails to meet its contractual obligations. This risk arises predominately from Mullen Group's trade and other receivables from its customers. The carrying amount of financial assets represents Mullen Group's maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was as follows:

Carrying amount	Note	December 31, 2014	December 31, 2013
Cash and cash equivalents	6	\$ 325,365	\$ 58,236
Trade and other receivables	7	209,835	234,485
Other assets	14	799	1,565
		\$ 535,999	\$ 294,286

Credit risk related to trade and other receivables is initially managed by each Operating Entity. Each Operating Entity is responsible for reviewing the credit risk for each of their customers before standard payment and delivery terms and conditions are offered. The Operating Entities review consists of external ratings, when available, and in some cases bank and trade references. Management has established a credit policy under which new customers are analyzed for creditworthiness before Mullen Group extends credit. Mullen Group monitors its trade and other receivables aging on an ongoing basis as part of its process in managing its credit risk. Mullen Group also manages credit risk related to trade and other receivables on a consolidated basis whereby the aggregate exposure to individual customers is reviewed and their credit quality is assessed. Mullen Group also attends industry forums to assess credit worthiness of customers related predominately to the oil and natural gas industry. No customer accounted for more than ten percent of Mullen Group's consolidated revenue for the fiscal years ended 2014 and 2013.

Impairment losses arise when trade receivables are written off directly against the financial asset, which results from customers who cannot pay their outstanding balance. In 2014 an impairment loss of \$0.4 million (2013 – \$0.4 million) was recognized which related to customers that were not able to pay their outstanding balances, mainly due to the customer having insufficient cash or other financial assets. During the period, the impairment loss as a percentage of consolidated revenue was less than 0.03 percent (2013 – 0.03 percent). Mullen Group establishes, on a specific account basis, an allowance for impairment loss that represents its estimate of potential losses in respect of trade receivables. ► **For more information refer to Note 7.**

(b) Liquidity Risk

Liquidity risk is the risk that Mullen Group will not be able to satisfy its obligations associated with its financial liabilities that are to be settled by delivering cash as they become due. Mullen Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to satisfy its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Mullen Group's reputation. Typically, Mullen Group ensures that it has sufficient cash or available credit facilities to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Mullen Group manages liquidity risk by preparing, monitoring and approving annual operating budgets to ensure it has sufficient cash to meet operational requirements, and to ensure its ongoing compliance with its Private Placement Debt covenants. The Board also considers liquidity risk when approving Mullen Group's annual net capital expenditure budget and when declaring dividends to shareholders. Mullen Group's surplus cash is invested in short-term highly liquid term deposits. At December 31, 2014, Mullen Group had cash and cash equivalents of \$325.4 million. In addition, Mullen Group maintains its \$75.0 Million Bank Credit Facility. ► **For more information refer to Note 18.**



The following are the contractual maturities of financial liabilities, excluding interest payments:

December 31, 2014	Carrying amount	Contractual cash flows	Twelve months or less	2016 - 2017	2018 - 2019	Thereafter
Private Placement Debt	\$ 692,909	\$ 695,271	\$ —	\$ 188,608	\$ 70,000	\$ 436,663
Debentures – debt component	12,083	12,445	—	—	12,445	—
Accounts payable and accrued liabilities	117,438	117,438	117,438	—	—	—
Dividends payable	9,161	9,161	9,161	—	—	—
Total	\$ 831,591	\$ 834,315	\$ 126,599	\$ 188,608	\$ 82,445	\$ 436,663

All of the above amounts relate to non-derivative financial instruments.

(c) Market Risk

Market risk is the risk associated with fluctuations in foreign exchanges rates, interest rates and equity prices and their corresponding impact on the fair value or future cash flows of Mullen Group's financial instruments. The objective of management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(i) Foreign Exchange Risk

Foreign exchange risk arises as Mullen Group enters into commercial transactions that are not denominated in its functional currency. Mullen Group is exposed to foreign exchange risk, primarily with respect to the U.S. dollar, which mainly arises from its U.S. \$314.0 million Senior Guaranteed Unsecured Notes ("U.S. Notes"). These U.S. Notes mature in 2017 (U.S. \$85.0 million), 2024 (U.S. \$117.0 million) and in 2026 (U.S. \$112.0 million). Mullen Group has mitigated its foreign exchange risk with respect to a portion of its U.S. Notes by entering into the Cross-Currency Swaps. Annual interest of U.S. \$13.9 million is payable on these U.S. Notes which also exposes Mullen Group to foreign exchange risk. This foreign exchange risk is mitigated as some of Mullen Group's Operating Entities generate a portion of their revenue in U.S. dollars in excess of their U.S. dollar expenses. At December 31, 2014, Mullen Group had U.S. dollar cash of \$73.7 million, U.S. dollar trade receivables of \$7.4 million and U.S. dollar accounts payable and accrued liabilities of \$6.0 million.

All of the amounts expressed in the following table are in U.S. dollars and set forth Mullen Group's exposure to foreign currency risk:

	December 31, 2014	December 31, 2013
Cash and cash equivalents	\$ 73,654	\$ 11,693
Trade and other receivables	7,374	9,756
Derivative financial instruments	8,056	—
Private Placement Debt	(314,000)	(235,000)
Accounts payable and accrued liabilities	(6,019)	(2,080)
Net exposure	\$ (230,935)	\$ (215,631)

At December 31, 2014, assuming all other variables were held constant, a \$0.01 strengthening of the Canadian dollar against the U.S. dollar would have increased income before income taxes by approximately \$2.3 million. Similarly, a \$0.01 weakening of the Canadian dollar against the U.S. dollar at December 31, 2014 would have had the equal but opposite effect on income before income taxes.

(ii) Interest Rate Risk and Fair Value Sensitivity Analysis for Fixed Rate Instruments

Interest rate risk arises on borrowings issued at variable rates which exposes risk to future cash flows if interest rates were to rise. This risk would be partially offset by cash held at variable rates. Mullen Group's Private Placement Debt, the Debentures, and its Various Financing Loans are all issued at fixed rates. The Bank Credit Facility is issued at variable rates, however, Mullen Group was not utilizing the facility at December 31, 2014. Borrowings issued at fixed rates expose Mullen Group to fair value interest rate risk. Mullen Group is susceptible to the opportunity costs associated with interest rate decreases as the interest rate on the majority of its borrowings is at fixed interest rates. Assuming all other variables were held constant, if interest rates increase by 1.0 percent on the \$705.0 million of Mullen Group's debt, Mullen Group would incur additional annual interest expense of approximately \$7.1 million. Mullen Group does not account for any fixed rate financial assets and liabilities at FVTPL. Mullen Group does not hedge interest rates or have any interest rate swaps.



(iii) *Price Risk*

Price risk arises from changes in quoted prices on investments in equity securities that impact the underlying value of investments. Mullen Group has investments measured at fair value with an initial cost of \$41.3 million. A \$20.7 million decrease in the fair value of these investments was recorded in 2014 as compared to a \$20.9 million increase in 2013. Mullen Group recorded a \$10.0 million decrease in the fair value of these investments on a cumulative basis.

(d) *Capital Management*

Mullen Group's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern, and manage capital that will maintain compliance with its financial covenants so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. Mullen Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Mullen Group may adjust the amount of dividends paid to shareholders, issue new debt, sell assets to reduce debt, or issue new shares.

Consistent with others in the industry, Mullen Group also monitors capital on the basis of debt-to-equity and total debt to operating cash flow. The debt-to-equity ratio is calculated as total debt divided by equity. Total debt is calculated as the total of current portion of long-term debt, long-term debt and the debt component of Debentures. Equity comprises of all the components of equity (i.e. share capital, Debentures – equity component, contributed surplus and retained earnings). Mullen Group's strategy is to maintain its debt-to-equity ratio below 1:1. The debt-to-equity ratio calculations at December 31, 2014 and at December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
Current portion of long-term debt	\$ —	\$ 277
Long-term debt	692,909	409,209
Debentures – debt component	12,083	16,070
Total debt	704,992	425,556
Share capital	777,262	760,310
Debentures – equity component	550	738
Contributed surplus	10,463	11,327
Retained earnings	112,668	127,737
Equity	\$ 900,943	\$ 900,112
Debt to equity	0.78:1	0.47:1

Mullen Group also monitors capital on the basis of total debt to operating cash flow. The total debt to operating cash flow ratio is calculated as per the Private Placement Debt agreements. Other than the financial covenants under its Private Placement Debt, Mullen Group is not subject to externally imposed capital requirements. ► **For more information, refer to Note 18.**

31. Subsidiaries

The tables set forth below provide information relative to Mullen Group's significant subsidiaries and its Operating Entities, including each such entity's name, its jurisdiction of incorporation/formation, the percentage of securities directly or indirectly owned by Mullen Group, a brief description of the entity, and the market areas served, if applicable. The percentages of ownership set forth below include the approximate one percent interest owned by the general partner of each limited partnership.

Significant Subsidiaries:			
Company (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (directly / indirectly)	Overview	Primary Market Area
MT Investments Inc. (Alberta)	100%	Wholly-owned subsidiary of Mullen Group Ltd. It was formed on July 1, 2005, when Mullen Transportation Inc. was amalgamated with certain other corporations pursuant to a plan of arrangement under the <i>Business Corporations Act</i> (Alberta) to form a corporation known as MT Investments Inc.	N/A
Mullen Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on November 14, 2008. It is the limited partner of various Operating Entities.	N/A
MTI Holding Co. Ltd. (Alberta)	100%	Wholly-owned subsidiary of MT Investments Inc., which was incorporated in Alberta on November 13, 2008. It is the limited partner of various Operating Entities.	N/A



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

Oilfield Services segment:		
Operating Entity (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
Brady Oilfield Services L.P. (Alberta)	100%	Southern Saskatchewan
Canadian Dewatering L.P. (Alberta)	100%	Western Canada
Cascade Energy Services L.P. (Alberta)	100%	Western Canada
E-Can Oilfield Services L.P. (Alberta)	100%	Western Canada
Formula Powell L.P. (Alberta)	100%	Western Canada
Heavy Crude Hauling L.P. (Alberta)	100%	Western Canada
Majestic Oilfield Services Inc. (Alberta)	100%	Western Canada
Mullen Oilfield Services L.P. (Alberta)	100%	Western Canada
OK Drilling Services L.P. (Alberta)	100%	Western Canada
Pe Ben Oilfield Services L.P. (Alberta)	100%	Western Canada
Premay Equipment L.P. (Alberta)	100%	Western Canada
Premay Pipeline Hauling L.P. (Alberta)	100%	Western Canada
R. E. Line Trucking (Coleville) Ltd. (Saskatchewan)	100%	Western Canada
Recon Utility Search L.P. (Alberta)	100%	Western Canada
Spearing Service L.P. (Alberta)	100%	Western Canada
TREO Drilling Services L.P. (Alberta)	100%	Western Canada
Withers L.P. (Alberta)	100%	Western Canada



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

Trucking/Logistics segment:		
Operating Entity (Jurisdiction of Incorporation / Formation)	Percentage owned by Mullen Group (indirectly)	Primary Market Area
Bernard Transport Ltd. (Alberta)	100%	Northwestern Alberta
Cascade Carriers L.P. (Alberta)	100%	Western Canada
Grimshaw Trucking L.P. (Alberta)	100%	Western Canada
Hi-Way 9 Group of Companies, consisting of Hi-Way 9 Express Ltd., Load-Way Ltd. and Streamline Logistics Inc. (Alberta)	100%	Western Canada
Jay's Transportation Group Ltd. (formerly known as Jay's Moving & Storage Ltd.) (Saskatchewan)	100%	Saskatchewan
Kleysen Group L.P. (Alberta)	100%	Western Canada
Mullen Trucking L.P. (Alberta)	100%	Canada and U.S.
Payne Transportation L.P. (Alberta)	100%	Canada and U.S.
Smook Contractors Ltd. (Manitoba)	100%	Northern Manitoba
Tenold Transportation Limited Partnership (Alberta)	100%	Canada and U.S.

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32. 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, equipment requirements and customer needs. 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 Trucking/Logistics segment provides both long haul and local transportation services to customers in various industries, predominantly within Canada. The following tables provide financial results by segment:

Year ended December 31, 2014	Oilfield Services	Trucking/ Logistics	Corporate	Intersegment eliminations		Total
				Oilfield Services	Trucking/ Logistics	
Revenue	\$ 858,893	\$ 570,892	\$ 1,181	\$ (126)	\$ (2,989)	\$ 1,427,851
Income (loss) before income taxes	121,372	62,365	(51,994)	—	—	131,743
Depreciation of property, plant and equipment	47,919	16,708	4,668	—	—	69,295
Amortization of intangible assets	11,358	4,508	—	—	—	15,866
Capital expenditures ⁽¹⁾	66,186	20,521	39,132	(14)	(82)	125,743
Total assets at December 31, 2014	\$ 779,087	\$ 307,558	\$ 775,492	\$ —	\$ —	\$ 1,862,137

⁽¹⁾ Excludes business acquisitions

Year ended December 31, 2013	Oilfield Services	Trucking/ Logistics	Corporate	Intersegment eliminations		Total
				Oilfield Services	Trucking/ Logistics	
Revenue	\$ 886,296	\$ 553,940	\$ 871	\$ (963)	\$ (2,978)	\$ 1,437,166
Income (loss) before income taxes	141,202	63,494	(11,994)	—	—	192,702
Depreciation of property, plant and equipment	49,506	15,695	4,298	—	—	69,499
Amortization of intangible assets	12,300	4,443	—	—	—	16,743
Capital expenditures ⁽¹⁾	62,921	23,142	48,731	(564)	(544)	133,686
Total assets at December 31, 2013	\$ 805,408	\$ 308,937	\$ 473,264	\$ —	\$ —	\$ 1,587,609

⁽¹⁾ Excludes business acquisitions



33. Related Party Disclosures

(a) Key Management Personnel Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the business activities of Mullen Group, including all of its directors along with certain executives. Directors are remunerated for services rendered in their capacity as directors by way of a combination of retainer fees and meeting attendance fees. The overall compensation program for executives is comprised of base salary and benefits, annual profit share and share-based compensation payments. Executives of Mullen Group do not have formal employment contracts. Similar to the employment processes established for all Mullen Group employees, each executive's personnel file contains a memorandum outlining the basic terms of an executive's employment relationship with Mullen Group. Mullen Group has no agreement or arrangement with any executive for the payment of compensation in the case of resignation, retirement, or termination of employment, a change of control of Mullen Group or its Operating Entities or a change in an executive's responsibilities following a change of control. Key management personnel do not participate in a defined benefit or actuarial pension plan, however, key management personnel do participate in the Stock Option Plan. Total remuneration to key management personnel including directors' fees, salaries and benefits, annual profit share, and the value attributable to stock-based compensation expense was as follows: ► **For more information refer to Note 26.**

Category	Years Ended December 31	
	2014	2013
Salaries and benefits (including profit share)	\$ 3,514	\$ 3,805
Share-based payments	94	113
Total	\$ 3,608	\$ 3,918

Mullen Group had no outstanding amounts owing to or amounts receivable from directors or officers at December 31, 2014, and 2013, with respect to the overall compensation program for executives. As at December 31, 2014, directors and officers of Mullen Group collectively held 3,562,207 Common Shares (2013 – 3,379,441) representing 3.9 percent (2013 – 3.7 percent) of all Common Shares of the Corporation.

(b) Related Party Transactions

During the year, Mullen Group generated revenue of \$0.2 million (2013 – \$0.2 million) and purchased \$28,000 (2013 – sold equipment for \$0.9 million) of property, plant and equipment with entities that are related by virtue of a certain Board member having control or joint control over the other entities. There was \$20,000 of accounts receivable amounts due from these related parties as at December 31, 2014.

During the year, Mullen Group incurred interest expense of \$46,000 (2013 – \$0.3 million) in relation to Debentures that were held by a related party. As at December 31, 2013, an aggregate of \$2.5 million of Debentures were held by Mullen Group's Chairman, Chief Executive Officer and President, Murray K. Mullen along with his spouse and children. During 2014, these Debentures were converted into 237,293 Common Shares of the Corporation.

During the year, Mullen Group generated revenue of \$4.7 million (2013 – \$9.7 million), incurred expenses of \$0.1 million (2013 – \$0.1 million) and sold \$0.1 million (2013 – nil) of property, plant and equipment with Kriska Transportation and Canol, which are accounted for by the equity method of accounting. As at December 31, 2014, there was \$5,000 (2013 – \$2.6 million) of accounts receivable amounts due from Kriska Transportation and Canol and there was \$82,000 (2013 – nil) of accounts payable amounts due resulting from these related party transactions.

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

34. Subsequent Events

(a) Acquisition

Gardewine Group of Companies – On January 9, 2015, Mullen Group acquired the business of Gardewine Group Limited Partnership, Trans-Provincial Freight Carriers Limited and various holding companies, as well as an interest in Rainy Lake Logistics Limited Partnership (collectively "Gardewine"), for cash consideration of approximately \$172.0 million. Gardewine is a privately held company headquartered in Winnipeg, Manitoba and provides a comprehensive range of transportation services, including LTL and truckload services, open deck LTL and truckload services, as well as specialized handling and transportation of bulk commodities related to the forestry and mining industries. Gardewine operates out of 36 terminals with primary hubs situated in Winnipeg, Brandon and Thompson, Manitoba; and Thunder Bay, Sudbury and Toronto, Ontario. Mullen Group acquired Gardewine as part of its strategy to invest in the transportation sector in Canada. Due to the limited time between the acquisition of Gardewine and the preparation of these Annual 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

Alan D. Archibald

Lead Director

Greg Bay, CFA

Director

Steven C. Grant

Director

Dennis J. Hoffman, FCA, ICD.D

Director

Stephen H. Lockwood, Q.C.

Director

David E. Mullen

Director

Philip J. Scherman, FCA, ICD.D

Director

P. Stephen Clark, CMA

Chief Financial Officer

Joanna K. Scott

Corporate Secretary and
Vice President, Corporate Services

EXECUTIVE

Murray K. Mullen

Chairman of the Board, Chief Executive Officer
and President

P. Stephen Clark, CMA

Chief Financial Officer

Richard J. Maloney

Senior Vice President

ONLINE INFORMATION

*To receive news releases by email, or
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AUDITORS

PricewaterhouseCoopers LLP

Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange

Trading Symbol: MTL

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