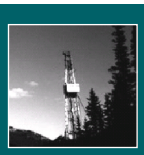
Mullen Group Ltd.

Q1

INTERIM REPORT

Period Ended March 31, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated April 20, 2016, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three month period ended March 31, 2016, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2015 (the "**Annual Financial Statements**"), together with the Management's Discussion and Analysis thereon (the "**2015 MD&A**"), and (ii) the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2016, (the "**Interim Financial Statements**"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information are available on SEDAR at www.sedar.com and at www.mullen-group.com. These documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "**Board**") on April 20, 2016.

ACCOUNTING PRINCIPLES

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

ADVISORY:

Forward-looking statements - *This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to strategic, financial and operational risks, most important of which are reduced oil and natural gas drilling, decreased oil sands and heavy oil activity, a slowdown in the general economy, currency exchange rates, change in the return on fair value of investments, prevailing interest rates, regulatory framework governing taxes and environmental matters in the jurisdictions in which the Corporation conducts and will conduct its business, customer relationships, labour disruption and driver retention, accidents, cost of liability insurance, fuel prices, ability to access sufficient capital from internal and external sources and changes in legislation including but not limited to tax laws and environmental regulations. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 59 of the 2015 MD&A as well as in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website at www.sedar.com. The forward-looking statements contained in this MD&A are made as of the date hereof and Mullen Group undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities law. Mullen Group relies on litigation protection for "forward-looking" statements. Additional information regarding the forward-looking statements contained in this MD&A and the material assumptions made in preparing such statements may be found under the heading "Forward-Looking Information Statements" beginning on page 38 of this MD&A.*

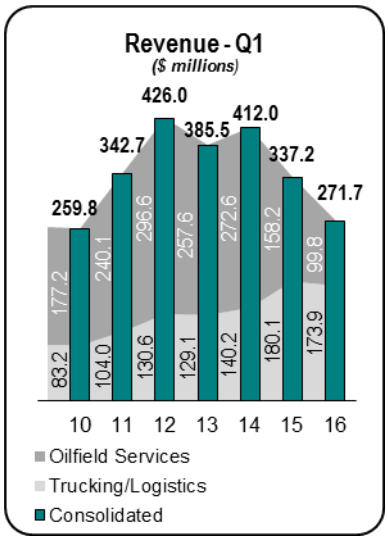
Non-GAAP and Additional GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its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

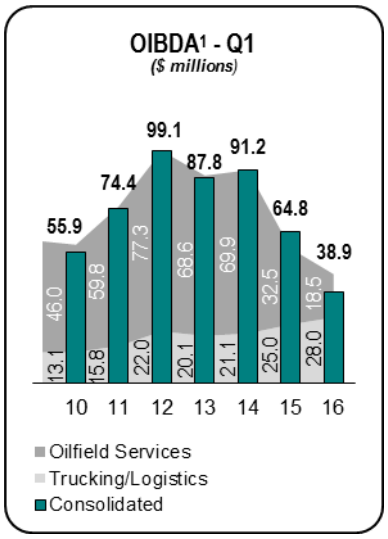
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

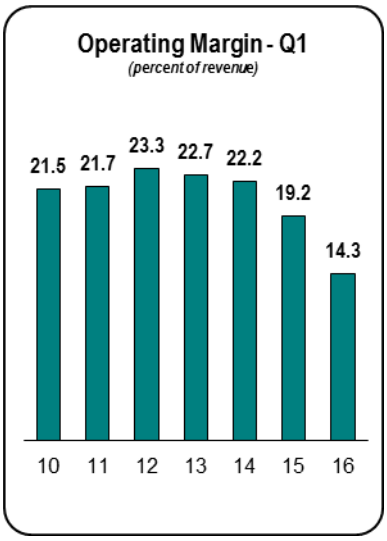
HIGHLIGHTS FOR THE QUARTER

PERFORMANCE:	Three month periods ended March 31		
(unaudited) *($ millions, except share price and per share amounts)*	2016	2015	% Change
Financial Results			
Revenue	**$ 271.7**	$ 337.2	(19.4)
Operating income before depreciation and amortization[(1) (2)]	**38.9**	64.8	(40.0)
Operating income before depreciation and amortization – adjusted[(1) (2)]	**45.5**	57.4	(20.7)
Net unrealized foreign exchange (gain) loss	**(16.5)**	17.7	(193.2)
Decrease in fair value of investments	**0.1**	4.3	(97.7)
Net income	**21.4**	2.8	664.3
Net income – adjusted[(1)]	**5.4**	24.9	(78.3)
Net cash from operating activities	**34.5**	41.9	(17.7)
Cash dividends declared to common shareholders	**22.0**	27.5	(20.0)
Financial Position			
Cash and cash equivalents	**$ 105.1**	$ 137.9	(23.8)
Long-term debt (includes the current portion thereof and the debt component of Debentures)	**682.6**	744.0	(8.3)
Total assets	**1,752.5**	1,875.1	(6.5)
Share Information			
Cash dividends declared per Common Share	**$ 0.24**	$ 0.30	(20.0)
Earnings per share – basic	**$ 0.23**	$ 0.03	666.7
Earnings per share – diluted	**$ 0.23**	$ 0.03	666.7
Earnings per share – adjusted[(1)]	**$ 0.06**	$ 0.27	(77.8)
Share price – March 31	**$ 14.39**	$ 20.09	(28.4)
Other Information			
Net capital expenditures[(1)]	**$ 3.8**	$ 34.8	(89.1)
Acquisitions	**$ —**	$ 166.0	(100.0)

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







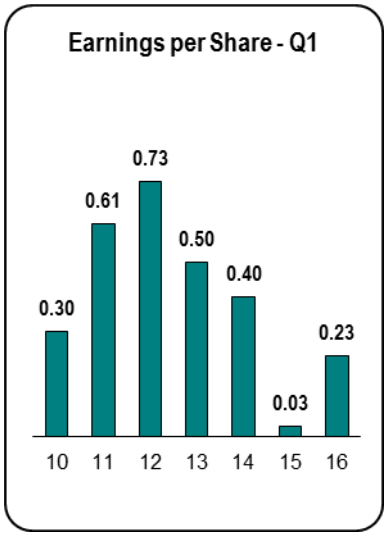
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

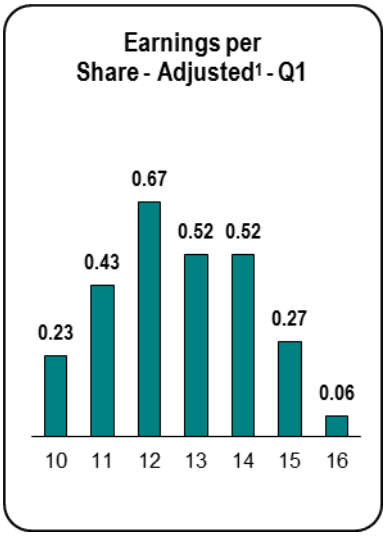
POSITION:

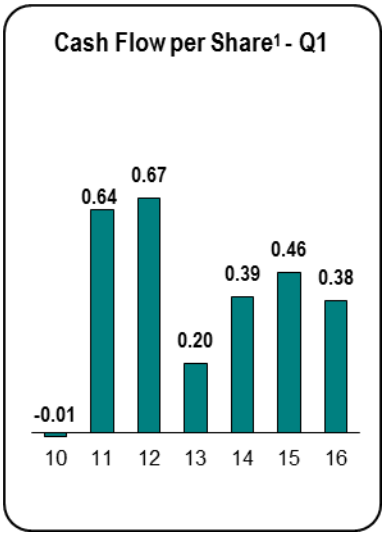
- Working capital: $184.8 million (includes $105.1 million of cash and cash equivalents)
- Net debt[1]: $496.0 million (long-term debt plus the debt component of Debentures less working capital)
- Net debt[1] to trailing twelve months OIBDA[1]: 2.44:1

PROGRESS:

- Despite extremely weak demand for oilfield services, our diverse and highly adaptable business model was able to achieve OIBDA – adjusted[1] of $45.5 million or 16.7 percent of revenue as compared to $57.4 million or 17.0 percent of revenue in 2015
- The Trucking/Logistics segment generated record first quarter OIBDA[1] of $28.0 million
- Repaid $70.0 million of Series C Notes (Series C Notes were originally set to mature on June 30, 2016)
- Entered into an agreement with our Private Placement Debt noteholders to amend the financial covenant term total debt to total net debt[1]
- The $0.09 strengthening of the Canadian dollar relative to the U.S. dollar resulted in a $16.5 million net unrealized foreign exchange gain (related to our U.S. dollar debt and Cross-Currency Swaps), which was somewhat offset by a $6.6 million foreign exchange loss on the U.S. $74.5 million of cash held within the Corporate Office







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

EXECUTIVE SUMMARY

Mullen Group operates a highly efficient and diversified business model. The operating results for the period ending March 31, 2016 were negatively impacted for two reasons: (i) the lack of demand in the Oilfield Services segment due to challenges associated with the continued weakness in both crude oil and natural gas prices; and (ii) the rise in the Canadian dollar relative to the U.S. dollar and its negative impact on the $74.5 million of U.S. cash held by the Corporate Office (as hereafter defined on page 7). Our Trucking/Logistics segment had record first quarter operating income before depreciation and amortization ("**OIBDA**")[1] and our Oilfield Services segment performed well when considering the headwinds posed by lower commodity prices, as it maintained its margin during the quarter.

The highlights for the quarter are as follows:

- consolidated revenue of $271.7 million, a decrease of $65.5 million, or 19.4 percent, as compared to $337.2 million in 2015 due to:
    - a $58.4 million decline in the Oilfield Services segment
    - a $6.2 million decline in the Trucking/Logistics segment
- consolidated OIBDA[1] of $38.9 million
    - record first quarter OIBDA[1] of $28.0 million generated by the Trucking/Logistics segment
    - extremely weak demand for oilfield services resulting in the Oilfield Services segment generating only $18.5 million of OIBDA[1]
    - loss of $7.6 million recorded at Corporate Office related to foreign exchange
- adjusting for the negative impact of foreign exchange losses, operating income before depreciation and amortization ("**OIBDA - adjusted**")[1] was $45.5 million, or 16.7 percent of revenue, as compared to $57.4 million, or 17.0 percent of revenue, in 2015. These results more accurately reflect the operating performance of Mullen Group.

First Quarter Financial Results

For the three month period ended March 31, 2016, revenue decreased by $65.5 million, or 19.4 percent, to $271.7 million as compared to $337.2 million in 2015, due to a $58.4 million decline in revenue in the Oilfield Services segment and a $6.2 million decrease in the Trucking/Logistics segment. The $58.4 million decrease in revenue in the Oilfield Services segment was due to the continuation of low commodity prices and uncertainty, which resulted in lower drilling activity levels and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units (as hereafter defined on page 7) involved in the transportation of fluids and servicing of wells and from those Business Units most directly tied to oil and natural gas drilling activity. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a $6.2 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and a reduction in demand for heavy haul freight services in western Canada. These decreases were somewhat offset by greater demand for Kleysen Group L.P.'s ("**Kleysen**") transload facility in Edmonton, Alberta, modestly increased demand and market share gains in Manitoba and Saskatchewan and from the incremental revenue generated from the acquisition of Courtesy Freight Systems Ltd. ("**Courtesy**").

OIBDA - adjusted[1] for the first quarter of 2016 was $45.5 million, a decrease of $11.9 million or 20.7 percent as compared to the same period last year. Stated as a percentage of consolidated revenue, OIBDA - adjusted[1] decreased modestly to 16.7 percent as compared to 17.0 percent in 2015. The Oilfield Services segment generated $18.5 million, a decline of $14.0 million, reflecting the very challenging operating environment, whereas the Trucking/Logistics segment had another very strong quarter generating $28.0 million, an increase of $3.0 million or 12.0 percent. Consolidated OIBDA[1], which includes the foreign exchange effects on U.S. cash held by Corporate Office, was $38.9 million, a decrease of $25.9 million or 40.0 percent as compared to 2015, primarily due to the

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

$14.0 million negative variance in foreign exchange. Stated as a percentage of consolidated revenue, OIBDA[1] decreased to 14.3 percent as compared to 19.2 percent last year.

Once again our results this quarter reflect the diversity of our business model, with excellent results generated by our 12 Trucking/Logistics segment Business Units offset by steep declines in our Oilfield Services segment. The current market environment for anyone involved in or with the oil and gas industry is both difficult and challenging, with activity levels, pricing and employment at multi-decade lows. Even the very best companies have been forced to adjust to the current low commodity price environment. And while we are not happy with our financial performance in the first quarter, we are satisfied that we achieved the very best results we could given the macro environment. All one can really do in situations like this is right size your organization and patiently wait for market conditions to improve. Until then our Trucking/Logistics segment will continue to be our best performer. Our diversified business provides us with a competitive advantage over the pure play oilfield services providers.

Financial Position

During the quarter Mullen Group generated net cash from operations of $34.5 million, paid dividends of $23.8 million, paid interest obligations of $6.0 million and incurred net capital expenditures[1] of $3.8 million. In addition, the Series C ($70.0 million) Notes were repaid. At March 31, 2016, Mullen Group had $184.8 million of working capital including $105.1 million of cash and cash equivalents, net debt[1] of $496.0 million and has access to additional funding of $40.0 million from its $75.0 million Bank Credit Facility (as hereafter defined on page 30) ($35.0 million was drawn as at March 31, 2016). The Corporation's long-term debt consists mainly of its Private Placement Debt (as hereafter defined on page 14) of U.S. $314.0 million and Canadian $261.0 million. The weighted average interest rate on our U.S. dollar debt and our Canadian debt is 4.43 percent and 4.58 percent, respectively. The majority of this debt matures on October 22, 2024 and October 22, 2026. In July 2014 Mullen Group entered into two cross-currency swap contracts to swap the principal portion of $229.0 million of U.S. dollar debt into a Canadian currency equivalent of $254.1 million for an average exchange rate of 1.1096. At March 31, 2016, the carrying value of these Cross-Currency Swaps (as hereafter defined on page 15) was $29.6 million and is recorded within derivative financial instruments ("**Derivatives**") on Mullen Group's consolidated statement of financial position. The net book value of property, plant and equipment was $978.2 million, the majority consists of $463.4 million of real property (carrying cost of $511.6 million) and $414.4 million of trucks and trailers.

Repayment of Private Placement Debt

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

Private Placement Debt – Amending Agreement

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

Dividend Reduction

On December 16, 2015, Mullen Group's Board announced its intention to pay annual dividends of $0.96 per Common Share ($0.08 per Common Share on a monthly basis) for 2016. Today, the Board determined that it was

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

prudent and in the best interests of Mullen Group's shareholders to reduce the monthly dividend to $0.03 per Common Share ($0.36 per Common Share on an annual basis) commencing with the declaration of the May 2016 dividend. The Board will continue to monitor the amount of the monthly dividend. All things being equal, the dividend reduction will increase annual cash flow by approximately $55.0 million.

Cost Savings Initiatives

In light of the challenging market conditions, Mullen Group has instituted a number of cost savings initiatives. Many initiatives have been implemented over the first quarter of 2016 including right-sizing the organization, minimizing discretionary expenses and job sharing where applicable. To date, headcount is lower by 658 people or 10.3 percent as compared to the first quarter of 2015. Additionally, our Board has unanimously agreed to take a 20.0 percent reduction in respect of their annual retainer fee recognizing the challenges faced by all employees.

Since 2005 Mullen Group has returned over $1.0 billion to investors. We did this because business fundamentals were strong and we chose not to misallocate our shareholders' equity with untimely acquisitions or by chasing growth. We preferred to stay the course and return excess cash to our shareholders. Today, however, we must adapt to the changing market and wait for better days to return. The decision today to reduce the monthly dividend was predicated on two factors. Firstly, we have steadfastly held to the belief that the dividend should be proportionate to the cash flow generated from operations. Given the recent capital and spending reductions announced by the oil and gas companies, the demand for oilfield services is currently at multi-decade lows. As such, our Oilfield Services segment is expected to underperform for the next few quarters. In addition, preserving the balance sheet and ensuring we have ample liquidity is not only prudent, it provides the flexibility needed to expand our business when the right opportunities are presented.

OUTLOOK

Our results for the first quarter were weaker than our expectations due to the steepest declines in spending by the oil and gas industry in western Canada since the 1980s. Activity levels were down substantially, accompanied by relentless pricing pressures, resulting in declines in our Oilfield Services segment. Our Trucking/Logistics segment, in contrast, continued to achieve near record performance. The first quarter has typically been the strongest quarter for our organization, a period when capital spending and drilling activity by the oil and gas industry is highest. This year, however, the entire oil and gas sector of the economy is struggling under the weight of the sustained collapse in both crude oil and natural gas prices. Our consolidated results for the first quarter in 2016 reflect this reality. The declines experienced in our Oilfield Services segment were substantial, more than offsetting the strong performance in our Trucking/Logistics segment, which continued to generate solid results in spite of the economic slowdown in Alberta.

For several quarters we have cautioned shareholders that the near term will be difficult for the oil and gas service sector and our Oilfield Services segment. Our focus has been rightsizing our Business Units in the Oilfield Services segment in terms of cost structure and employment levels. These initiatives are in response to the extremely difficult and challenging market conditions. We have responded as prudently as possible, however, the fact is that the oil and gas companies have drastically reduced investing activity and restrained overall spending in 2016. As a result, the oil and gas service sector remains under significant pressure, including the Business Units in our Oilfield Services segment.

Given the current operating environment, our focus will be on strengthening the balance sheet. This includes using our cash position to repay a portion of our long-term debt and aligning the dividend to a level that is proportionate to the cash expected to be generated from operations. The Board will continue to monitor events to ensure the overall sustainability is not compromised. We are of the view that the oil and gas services industry will remain under stress until commodity prices recover, which has been happening recently, accompanied by new capital being available to the oil and gas producers. These two criteria are fundamental to increased demand for oilfield services as well as a recovery in the Alberta economy. The overall Canadian economy is expected to maintain its current slow growth trajectory, indicating that the Trucking/Logistics segment will remain competitive with limited growth opportunity. As such, acquisitions will be key to growth in the short term. We continue to evaluate a number of opportunities, however, any acquisition must be strategic to Mullen Group and meet our financial requirements.

CORPORATE OVERVIEW

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

Business

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

At March 31, 2016, the Trucking/Logistics segment consisted of 12 Business Units, offering a diversified range of truckload and less-than-truckload ("**LTL**") general freight services to customers in Canada and the United States. These services include transporting a wide range of goods including general freight, specialized commodities such as cable, pipe and steel, over-dimensional loads such as heavy equipment, compressors and over-sized goods and dry bulk commodities such as cement and frac sand. In addition, the Trucking/Logistics segment provides logistics, warehousing and distribution, transload and intermodal services primarily in western Canada, as well as the production, excavation and transportation of various aggregate products.

Trucking/Logistics Segment:

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

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

At March 31, 2016, the Oilfield Services segment consisted of 15 Business Units that utilize their highly trained personnel and equipment to provide specialized transportation services, drilling, well-servicing and dewatering services to the oil and natural gas industry. These services include transporting of oversize and overweight shipments, conductor pipe setting, core drilling, casing setting, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, pipe stockpiling and stringing, a broad range of services related to the processing and production of heavy oil, including well servicing and handling, transportation and disposal of fluids, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation and drilling rig relocation services.

Oilfield Services Segment:

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

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

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

Capital Allocations

Dividends

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

Mullen Group declared monthly dividends of $0.08 per Common Share in the first three months of 2016 totalling $0.24 per Common Share (2015 – $0.30 per Common Share). At March 31, 2016, Mullen Group had 91,661,066 Common Shares outstanding and a dividend payable of $7.3 million (December 31, 2015 – $9.2 million), which was paid on April 15, 2016. Mullen Group also declared its monthly dividend of $0.08 per Common Share on April 19, 2016 to the holders of record at the close of business on April 30, 2016.

Repayment of Private Placement Debt

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

Private Placement Debt – Amending Agreement

On March 31, 2016, Mullen Group entered into an Amending Agreement with the Private Placement Debt (as hereafter defined on page 14) noteholders to amend certain financial covenant terms during the Covenant Relief Period. The Amending Agreement replaces the financial covenant term total debt with total net debt[1] for financial covenant calculation purposes. During the Covenant Relief Period, total net debt[1] is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps (as hereinafter defined on page 15) plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt[1] will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same.

Acquisitions and Investments

2015

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

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

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

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

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

Capital Expenditures

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

In the first three months of 2016, gross capital expenditures were $4.4 million as compared to $36.4 million in 2015. These capital expenditures were comprised of $3.8 million in the Trucking/Logistics segment (2015 – $5.6 million), $0.5 million in the Oilfield Services segment (2015 – $5.7 million) and $0.1 million in the Corporate Office (2015 – $25.2 million). Gross dispositions on a consolidated basis were $0.6 million in the first three months of 2016 as compared to $1.6 million in 2015. These gross dispositions were comprised of $0.2 million in the Trucking/Logistics segment (2015 – $0.4 million) and $0.4 million in the Oilfield Services segment (2015 – $1.2 million).

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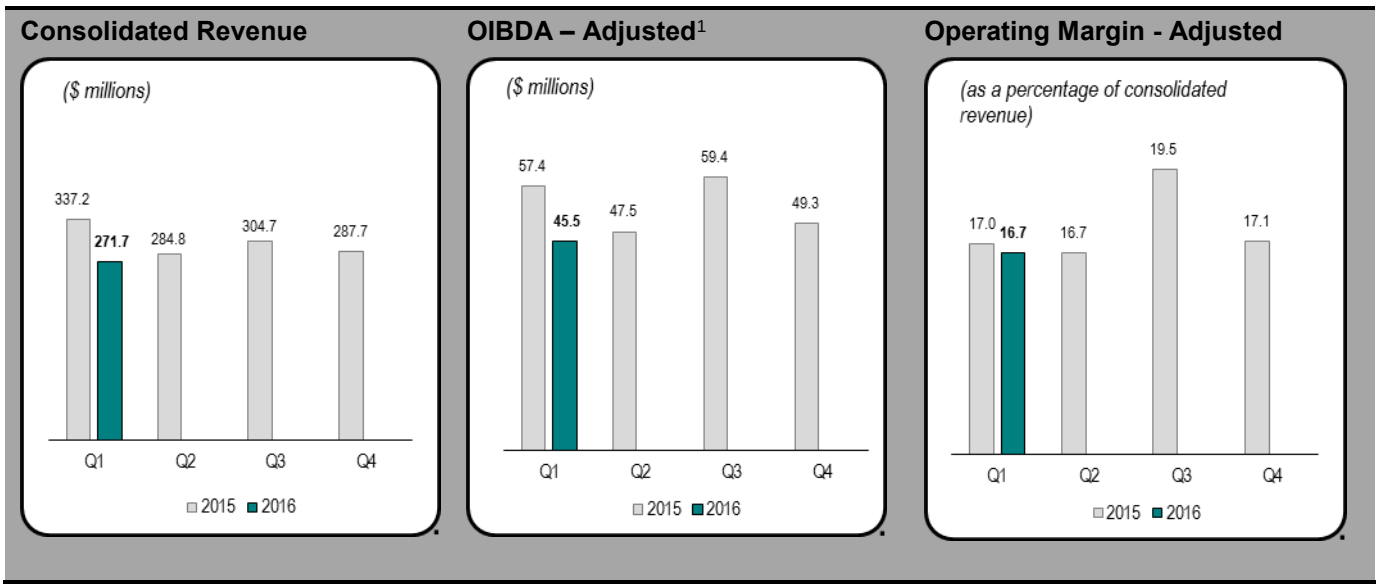
CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED MARCH 31, 2016

Summary – Trailing Five Quarters



Consolidated first quarter financial results were below the prior year levels and uncharacteristically down on a sequential basis due to the under performance of the Oilfield Services segment, which continued to experience very challenging market conditions, including limited demand for services, intense competition and pricing pressure across all Business Units in the segment with the exception of Premay Pipeline Hauling L.P. ("**Premay Pipeline**"). In contrast, our Trucking/Logistics segment performed exceptionally well notwithstanding the challenges faced by the Alberta economy. Despite a slight decline in revenue, this segment generated record first quarter OIBDA[1].

Revenue

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

Q1 Consolidated Revenue by Segment
(unaudited)
($ millions)

	2016		2015		Change	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**173.9**	**63.5**	180.1	53.2	(6.2)	(3.4)
Oilfield Services	**99.8**	**36.5**	158.2	46.8	(58.4)	(36.9)
Corporate and intersegment eliminations	**(2.0)**	**—**	(1.1)	—	(0.9)	—
Total	**271.7**	**100.0**	337.2	100.0	(65.5)	(19.4)

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the first quarter decreased by $65.5 million, or 19.4 percent, to $271.7 million as compared to $337.2 million in 2015. This decrease in revenue was directly attributable to the Oilfield Services segment, which decreased by $58.4 million, or 36.9 percent, to $99.8 million as compared to $158.2 million in the same period one year earlier. The decrease in segment revenue was due to significantly lower demand for its services as a result

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

of extremely low first quarter drilling activity in the western Canada sedimentary basin ("**WCSB**"). Revenue in the Trucking/Logistics segment decreased by $6.2 million, or 3.4 percent, to $173.9 million from $180.1 million primarily due to a reduction in fuel surcharge revenue, a price deflator during times of declining oil and fuel prices.

Q1 Consolidated Revenue *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**189.9**	**69.9**	216.5	64.2	(26.6)	(12.3)
Contractors	**80.7**	**29.7**	119.2	35.3	(38.5)	(32.3)
Other	**1.1**	**0.4**	1.5	0.5	(0.4)	(26.7)
Total	**271.7**	**100.0**	337.2	100.0	(65.5)	(19.4)

Revenue related to Company Equipment decreased by $26.6 million, or 12.3 percent, to $189.9 million as compared to $216.5 million in 2015 and represented 69.9 percent of consolidated revenue in the current period compared to 64.2 percent in 2015. Revenue related to Contractors decreased by $38.5 million, or 32.3 percent, to $80.7 million as compared to $119.2 million in 2015 and represented 29.7 percent of consolidated revenue in the current period as compared to 35.3 percent in 2015.

Direct Operating Expenses

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

Q1 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**51.8**	**27.3**	60.9	28.1	(9.1)	(14.9)
Fuel	**14.6**	**7.7**	21.3	9.8	(6.7)	(31.5)
Repairs and maintenance	**24.4**	**12.8**	29.1	13.4	(4.7)	(16.2)
Operating supplies	**14.5**	**7.6**	16.4	7.6	(1.9)	(11.6)
Other	**23.5**	**12.4**	22.2	10.3	1.3	5.9
	128.8	**67.8**	149.9	69.2	(21.1)	(14.1)
Contractors	**59.0**	**73.1**	90.2	75.7	(31.2)	(34.6)
Total	**187.8**	**69.1**	240.1	71.2	(52.3)	(21.8)

**as a percentage of respective Consolidated revenue*

DOE were $187.8 million in the first quarter as compared to $240.1 million in 2015. The decrease of $52.3 million, or 21.8 percent, was directly related to the $65.5 million decrease in consolidated revenue. As a percentage of revenue these expenses decreased by 2.1 percent to 69.1 percent as compared to 71.2 percent in 2015.

DOE associated with Company Equipment decreased to $128.8 million from $149.9 million in 2015. The decrease of $21.1 million, or 14.1 percent, was generally in line with the change in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 1.4 percent to 67.8 percent as compared to 69.2 percent in 2015 primarily due to lower fuel costs and various cost cutting measures.

Contractors expense in the first quarter decreased to $59.0 million, as compared to $90.2 million in 2015. This $31.2 million decrease was directly related to the decrease in Contractors revenue. The majority of the decrease in DOE, specifically $21.0 million, was due to the Oilfield Services segment. As a percentage of Contractors revenue, Contractors expense decreased by 2.6 percent to 73.1 percent as compared to 75.7 percent in 2015 due to the greater availability of Contractors.

Selling and Administrative Expenses

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

Q1 Consolidated Selling and Administrative Expenses *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**21.7**	**8.0**	23.9	7.1	(2.2)	(9.2)
Communications, utilities and general supplies	**10.1**	**3.7**	11.0	3.3	(0.9)	(8.2)
Profit share	**3.3**	**1.2**	3.0	0.9	0.3	10.0
Foreign exchange	**7.0**	**2.6**	(8.6)	(2.6)	15.6	(181.4)
Stock-based compensation	**0.3**	**0.1**	0.3	0.1	—	—
Rent and other	**2.6**	**1.0**	2.7	0.8	(0.1)	(3.7)
Total	**45.0**	**16.6**	32.3	9.6	12.7	39.3

**as a percentage of total Consolidated revenue*

S&A expenses increased by $12.7 million to $45.0 million in the first quarter as compared to $32.3 million in 2015. This was attributable to a $15.6 million negative variance in foreign exchange primarily as a result of the Corporate Office recognizing a $6.6 million loss during the first quarter of 2016 as compared to a $7.4 million gain in 2015 on its U.S. cash holdings. This variance was partially offset by continued cost cutting initiatives, most notably a $2.2 million reduction in wages and benefits expense. S&A expenses as a percentage of consolidated revenue increased by 7.0 percent to 16.6 percent in comparison to 9.6 percent in 2015. Excluding foreign exchange effects within the Corporate Office, S&A expenses were $38.4 million, or 14.1 percent of revenue, as compared to $39.7 million, or 11.8 percent of revenue in 2015.

Operating Income Before Depreciation and Amortization

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

Q1 Consolidated Operating Income Before Depreciation and Amortization[(1)] *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**28.0**	**72.0**	25.0	38.6	3.0	12.0
Oilfield Services	**18.5**	**47.5**	32.5	50.1	(14.0)	(43.1)
Corporate	**(7.6)**	**(19.5)**	7.3	11.3	(14.9)	(204.1)
Total	**38.9**	**100.0**	64.8	100.0	(25.9)	(40.0)

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

OIBDA – adjusted[1] decreased by $11.9 million, or 20.7 percent, to $45.5 million as compared to $57.4 million in 2015. OIBDA – adjusted[1] as a percentage of consolidated revenue was 16.7 percent as compared to 17.0 percent in 2015. Including the foreign exchange gains or losses, OIBDA[1] decreased to $38.9 million, or 40.0 percent, compared to $64.8 million in 2015. The decrease was due to the combination of a $14.0 million decrease in the Oilfield Services segment, a $3.0 million increase in the Trucking/Logistics segment as well as a $14.0 million negative variance in foreign exchange recognized within the Corporate Office. As a percentage of consolidated revenue, OIBDA[1] decreased to 14.3 percent as compared to 19.2 percent in 2015 due to the negative foreign exchange variance and the reduction in margin experienced by the Oilfield Services segment being somewhat offset by the improvement in margin experienced by the Trucking/Logistics segment.

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

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $17.8 million in the first quarter as compared to $17.7 million in 2015. This increase of $0.1 million was attributable to a greater amount of depreciation being recorded in the Trucking/Logistics segment, which was somewhat offset by a lower amount of depreciation being recorded in the Oilfield Services segment. Depreciation in the Trucking/Logistics segment increased by $0.2 million due to a greater amount of capital expenditures made within this segment and the additional depreciation expense resulting from the acquisition of Courtesy. Depreciation in the Oilfield Services segment decreased by $0.1 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. These decreases were somewhat offset by a greater amount of depreciation recorded on core drilling rigs due to a change in estimate applied prospectively as of July 1, 2015, which was based upon the revised estimated useful life of such equipment. Depreciation in the Corporate Office remained consistent on a year over year basis.

Amortization of Intangible Assets

Intangible assets are acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over their estimated life from the date of acquisition. Amortization of intangibles was $4.7 million in the first quarter, which was consistent with the $4.7 million in 2015. The increase that resulted from the additional amortization recorded on the intangible assets associated with the acquisition of Courtesy was offset by the reduction in amortization recorded on certain Business Units' intangible assets that have become fully amortized.

Finance Costs

Finance costs mainly consist of:

- a $0.8 million expense related to the repayment of the Series C Notes;
- interest expense on financial liabilities, including:
    - $70.0 million of Series D Notes, U.S. $85.0 million of Series E Notes, $20.0 million of Series F Notes, U.S. $117.0 million of Series G Notes, U.S. $112.0 million of Series H Notes, $30.0 million of Series I Notes, $3.0 million of Series J Notes, $58.0 million of Series K Notes and $80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
    - the convertible unsecured subordinated debentures (the "**Debentures**") that were issued on May 1, 2009;
    - various financing loans that are secured by specific operating equipment (collectively, the "**Various Financing Loans**"); and
    - accretion expense on debt;
- less any interest income generated from cash and cash equivalents.

Finance costs were $9.5 million in the first quarter as compared to $9.0 million in 2015. The increase of $0.5 million was mainly attributable to recording $0.8 million of additional finance costs related to the repayment of the Series C Notes, which consisted of the net present value of the future interest payments on such notes that would have otherwise been paid to the noteholders less certain prepayment amounts. Despite recording an additional $0.8 million of finance costs in the first quarter, Mullen Group reduced its overall finance costs by $0.2 million by repaying the Series C Notes early due to certain prepayment credits received from the noteholders. This increase was somewhat offset by a lower amount of interest expense being recorded on the U.S. dollar debt as a result of the strengthening in the Canadian dollar as compared to the U.S. dollar. The repayment of the Series C Notes will reduce annual interest expense by $3.9 million.

Net Unrealized Foreign Exchange (Gain) Loss

Mullen Group recognizes unrealized foreign exchange gains or losses at the end of each reporting period related to its U.S. dollar debt and from its two cross-currency swap contracts. In 2014 Mullen Group entered into two cross-currency swap contracts to swap the principal portion of the Series G (U.S. $117.0 million) and Series H (U.S. $112.0 million) Notes (collectively, the "**Cross-Currency Swaps**") into Canadian dollars at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively.

Net unrealized foreign exchange gain was $16.5 million in the first quarter of 2016 as compared to a loss of $17.7 million in 2015. The variance of $34.2 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The $10.3 million unrealized foreign exchange loss on Cross-Currency Swaps does not offset the $26.8 million unrealized foreign exchange gain on U.S. dollar debt for two reasons. First, the $85.0 million of Series E Notes remains unhedged resulting in a $7.3 million increase in net unrealized foreign exchange gain. Second, the fair value of the Cross-Currency Swaps is recorded at net present value, whereas the corresponding debt that it relates to is recorded at the U.S. exchange rate as at March 31, 2016. The details of the unrealized foreign exchange (gain) loss were as follows:

Net Unrealized Foreign Exchange (Gain) Loss	**Three month periods ended March 31**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2016**	**2015**
Unrealized foreign exchange (gain) loss on U.S. debt	**(26.8)**	33.4
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps	**10.3**	(15.7)
Net unrealized foreign exchange (gain) loss	**(16.5)**	17.7

Mullen Group recorded an unrealized foreign exchange gain of $26.8 million related to the Corporation's U.S. dollar denominated debt due to the $0.09 strengthening of the Canadian dollar relative to the U.S. dollar during the first quarter of 2016. For the same period in 2015, Mullen Group recorded an unrealized foreign exchange loss of $33.4 million due to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the unrealized foreign exchange (gain) loss on U.S. debt is summarized in the table below:

Unrealized Foreign Exchange (Gain) Loss on U.S. Debt	**Three month periods ended March 31**					
	2016			**2015**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Ending – March 31	**314.0**	**1.2987**	**407.8**	314.0	1.2666	397.7
Beginning – January 1	**314.0**	**1.3840**	**434.6**	314.0	1.1601	364.3
Unrealized foreign exchange (gain) loss on U.S. debt			**(26.8)**			33.4

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 (gain) loss on the consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose. The carrying value of these Cross-Currency Swaps are recorded within Derivatives in the consolidated statement of financial position.

For the three month period ended March 31, 2016, Mullen Group recorded an unrealized foreign exchange loss on Cross-Currency Swaps of $10.3 million. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Unrealized Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Three month periods ended March 31**			
	2016		**2015**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**5.5**	**117.0**	(8.2)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**4.8**	**112.0**	(7.5)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		**10.3**		(15.7)

Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment and earnings from equity investments. Other income in the first quarter was $0.4 million, a $4.4 million positive variance as compared to the $4.0 million of other expense recorded in 2015. The $4.4 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (positive variance of $4.2 million). Mullen Group periodically invests in certain private and public corporations. Mullen Group recorded a decrease in the fair value of investments of $0.1 million in the first quarter as compared to a $4.3 million decrease in 2015. There were no investments purchased or sold in either the first quarter of 2016 or 2015.

Gain or Loss on Sale of Property, Plant and Equipment (positive variance of $0.2 million). Mullen Group recognized a nominal gain on sale of property, plant and equipment on total consolidated proceeds on sale of $0.6 million in the first quarter as compared to a $0.2 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.6 million in 2015.

Earnings from Equity Investments. Mullen Group recognized $0.5 million of earnings from equity investments in both the first quarter of 2016 and 2015. Mullen Group uses the equity method to account for investments in which it obtains significant influence or joint control over the investee and recognizes earnings from these equity investments from the date thereof. The following table details Mullen Group's equity investments and the date from which it commenced recording earnings from them.

Equity Investment	**Date of Significant Influence or Joint Control Obtained**
Canol Oilfield Services Inc.	January 1, 2013
Kriska Transportation Group Limited	December 1, 2014
Envolve Energy Services Corp.	April 10, 2015
Cordova Oilfield Services Ltd.	April 17, 2015
Butler Ridge Energy Services (2011) Ltd.	July 1, 2015

Income Taxes

(unaudited) *($ millions)*	Three month periods ended March 31	
	2016	**2015**
Income before income taxes	**$ 23.8**	$ 11.7
Combined statutory tax rate	**27%**	26%
Expected income tax	**6.4**	3.0
Add (deduct):		
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	**(2.2)**	2.2
Non-deductible portion of the change in fair value of investments	**—**	0.6
Stock-based compensation expense	**0.1**	0.1
Other	**(1.9)**	3.0
Income tax expense	**$ 2.4**	$ 8.9

Income tax expense was $2.4 million in the first quarter of 2016 as compared to $8.9 million in 2015. The decrease of $6.5 million was mainly attributable to the variance in net unrealized foreign exchange and a reduction in taxable income in 2016 as compared to 2015.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended March 31		
	2016	**2015**	**% Change**
Net income	**$ 21.4**	$ 2.8	664.3
Weighted average number of Common Shares outstanding	**91,661,066**	91,633,892	—
Earnings per share – basic	**$ 0.23**	$ 0.03	666.7

Net income increased to $21.4 million in the first quarter as compared to $2.8 million in 2015. The factors contributing to the increase in net income include:

- a $34.2 million positive variance in net unrealized foreign exchange;
- a $6.5 million decrease in income tax expense;
- a $4.2 million positive variance in the fair value of investments; and
- a $0.2 million increase in gain on sale of property, plant and equipment.

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

- a $25.9 million decrease in OIBDA[1];
- a $0.5 million increase in finance costs; and
- a $0.1 million increase in depreciation of property, plant and equipment.

Basic earnings per share increased to $0.23 in 2016 as compared to $0.03 in 2015. This increase resulted from the combined effect of the $18.6 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 slightly from 91,633,892 to 91,661,066 due to the issuance of Common Shares from the exercise of stock options.

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

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended March 31**	
	2016	**2015**
Income before income taxes	**$ 23.8**	$ 11.7
Add (deduct):		
Net unrealized foreign exchange (gain) loss	**(16.5)**	17.7
Change in fair value of investments	**0.1**	4.3
Income before income taxes – adjusted	**7.4**	33.7
Income tax rate	**27%**	26%
Computed expected income tax expense	**(2.0)**	(8.8)
Net income – adjusted[1]	**5.4**	24.9
Weighted average number of Common Shares outstanding – basic	**91,661,066**	91,633,892
Earnings per share – adjusted[1]	**$ 0.06**	$ 0.27

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

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SEGMENTED INFORMATION – THREE MONTH PERIOD ENDED MARCH 31, 2016

Three month period ended March 31, 2016 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**173.9**	**99.8**	**(2.0)**	**271.7**
Direct operating expenses	**122.6**	**67.5**	**(2.3)**	**187.8**
Selling and administrative expenses	**23.3**	**13.8**	**7.9**	**45.0**
Operating income before depreciation and amortization[1]	**28.0**	**18.5**	**(7.6)**	**38.9**

Three month period ended March 31, 2015 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	180.1	158.2	(1.1)	337.2
Direct operating expenses	133.6	108.7	(2.2)	240.1
Selling and administrative expenses	21.5	17.0	(6.2)	32.3
Operating income before depreciation and amortization[1]	25.0	32.5	7.3	64.8

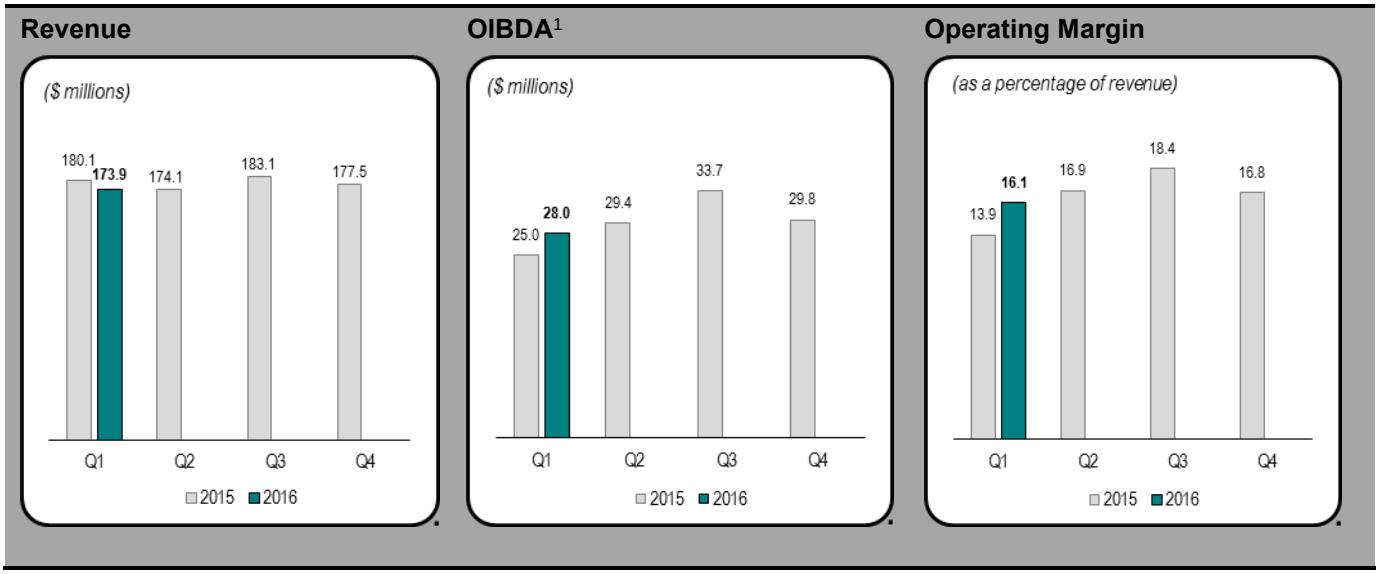
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

TRUCKING/LOGISTICS SEGMENT

The transportation and distribution of freight is a multi-billion dollar business in Canada and is generally described as both highly competitive and fragmented. The Trucking/Logistics segment provides a wide range of trucking and logistics services in Canada, as well as to and from the continental U.S. At March 31, 2016, the Trucking/Logistics segment was comprised of 12 Business Units that utilize both Company Equipment and Contractors.

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

Summary – Trailing Five Quarters



General economic activity is the main driver of demand levels for our Trucking/Logistics segment. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services. Early estimates indicate that Canada's real gross domestic product increased by 0.6 percent in January after experiencing modest growth in the fourth quarter. There continues to be a substantive decline in energy related and resource sector investment negatively affecting economic growth in western Canada. The economy in the rest of Canada appears to be expanding, albeit at a modest pace. It is further estimated that the U.S. economy expanded by 0.8 percent in January, after expanding by 2.4 percent in the fourth quarter. These factors have led to a modest increase in North American demand for freight services.

Revenue

Q1 Revenue – Trucking/Logistics *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**117.7**	**67.7**	113.4	63.0	4.3	3.8
Contractors	**55.9**	**32.1**	66.5	36.9	(10.6)	(15.9)
Other	**0.3**	**0.2**	0.2	0.1	0.1	50.0
Total	**173.9**	**100.0**	180.1	100.0	(6.2)	(3.4)

The Trucking/Logistics segment generated 63.5 percent of pre-consolidated revenue for the first quarter as compared to 53.2 percent in 2015. Revenue in this segment decreased by $6.2 million, or 3.4 percent, to $173.9 million as compared to $180.1 million in 2015 primarily due to lower fuel surcharge revenue. Fuel surcharge revenue declined by $3.8 million to $10.6 million as compared to $14.4 million in 2015. In addition, revenue declined due to a reduction in demand for heavy haul transportation services and LTL transportation services within Alberta. These decreases were somewhat offset by revenue generated by Kleysen related to increased demand for transload services, modestly increased demand and market share gains in Manitoba and Saskatchewan as well as the acquisition of Courtesy.

With greater focus on LTL operations and utilization, revenue related to Company Equipment increased by $4.3 million, or 3.8 percent, to $117.7 million as compared to $113.4 million in 2015 and represented 67.7 percent of segment revenue in the current period compared to 63.0 percent in 2015. Revenue related to Contractors decreased by $10.6 million, or 15.9 percent, to $55.9 million as compared to $66.5 million in 2015 and 32.1 percent of segment revenue in the current period as compared to 36.9 percent in 2015.

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

Direct Operating Expenses

Q1 Direct Operating Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**31.4**	**26.7**	31.0	27.3	0.4	1.3
Fuel	**9.9**	**8.4**	13.2	11.6	(3.3)	(25.0)
Repairs and maintenance	**13.3**	**11.3**	13.4	11.8	(0.1)	(0.7)
Operating supplies	**7.4**	**6.3**	6.9	6.1	0.5	7.2
Other	**20.0**	**17.0**	18.8	16.7	1.2	6.4
	82.0	**69.7**	83.3	73.5	(1.3)	(1.6)
Contractors	**40.6**	**72.6**	50.3	75.6	(9.7)	(19.3)
Total	**122.6**	**70.5**	133.6	74.2	(11.0)	(8.2)

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

DOE were $122.6 million in the first quarter as compared to $133.6 million in 2015. The decrease of $11.0 million, or 8.2 percent, was directly related to the 3.4 percent decrease in segment revenue. Overall as a percentage of revenue these expenses decreased by 3.7 percent to 70.5 percent as compared to 74.2 percent in 2015 due to a larger portion of revenue being generated by Company assets and the decline in Contractors expense as a percentage of revenue.

DOE related to Company Equipment decreased by $1.3 million to $82.0 million from $83.3 million in 2015, despite the $4.3 million increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 3.8 percent to 69.7 percent as compared to 73.5 percent in 2015. This 3.8 percent decrease as a percentage of Company revenue was primarily due to the reduction in fuel expenses that decreased by 3.2 percent of Company revenue to 8.4 percent, or $9.9 million, as compared to 11.6 percent or $13.2 million in 2015 largely due to the year over year decrease in diesel fuel prices.

Contractors expense in the first quarter decreased by $9.7 million to $40.6 million as compared to $50.3 million in 2015. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased to 72.6 percent as compared to 75.6 percent in 2015 due to the greater availability of subcontractors in western Canada.

Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Wages and benefits	**13.2**	**7.6**	13.4	7.4	(0.2)	(1.5)
Communications, utilities and general supplies	**6.0**	**3.5**	5.9	3.3	0.1	1.7
Profit share	**2.3**	**1.3**	1.9	1.1	0.4	21.1
Foreign exchange	**0.4**	**0.2**	(0.9)	(0.5)	1.3	(144.4)
Rent and other	**1.4**	**0.8**	1.2	0.6	0.2	16.7
Total	**23.3**	**13.4**	21.5	11.9	1.8	8.4

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

S&A expenses were $23.3 million in the first quarter as compared to $21.5 million in 2015. The increase of $1.8 million was primarily due to the $1.3 million negative variance on foreign exchange and the $0.4 million increase in profit share expense. S&A expenses as a percentage of segment revenue increased to 13.4 percent as compared to 11.9 percent in 2015.

Operating Income Before Depreciation and Amortization

OIBDA[1] for the first quarter increased by $3.0 million to $28.0 million, or 12.0 percent, compared to $25.0 million generated in the same period last year. This is the highest level of first quarter OIBDA[1] ever attained by this segment. As a percentage of segment revenue, OIBDA[1] increased to 16.1 percent as compared to 13.9 percent in 2015. This 2.2 percent increase in operating margin was primarily due to lower DOE and the continued focus on lowering costs, improving efficiencies, the strong performance from Kleysen and the year over year improvement achieved by Gardewine.

Capital Expenditures

Net capital expenditures[1] were $3.6 million in the first quarter, a decrease of $1.6 million as compared to $5.2 million in 2015. The Trucking/Logistics segment had gross capital expenditures of $3.8 million and dispositions of $0.2 million for net capital expenditures[1] of $3.6 million in 2016. Gross capital expenditures mainly consisted of the purchase of trucks and trailers, as well as various pieces of operating equipment mainly for Gardewine. In 2015 gross capital expenditures were $5.6 million and dispositions were $0.4 million for net capital expenditures[1] of $5.2 million.

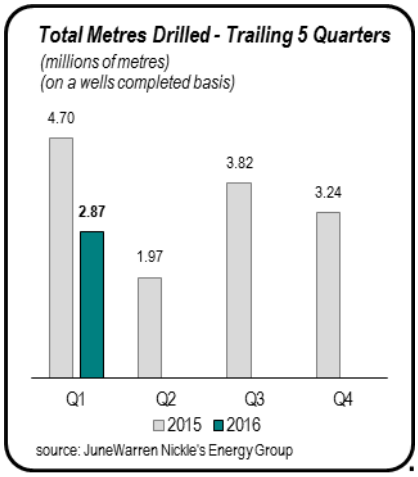
OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At March 31, 2016, the Oilfield Services segment was comprised of 15 Business Units, that utilize both Company Equipment and Contractors.

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

Industry Statistics

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



Industry investment and activity in the first quarter was uncharacteristically down sequentially from the fourth quarter and its lowest first quarter level in decades. The steep and rapid decline in crude oil and natural gas pricing, which began in the last half of 2014 continued and intensified with oil prices hitting thirteen year lows in February. This negatively impacted industry sentiment resulting in significant reductions in drilling activity and investments into capital projects.

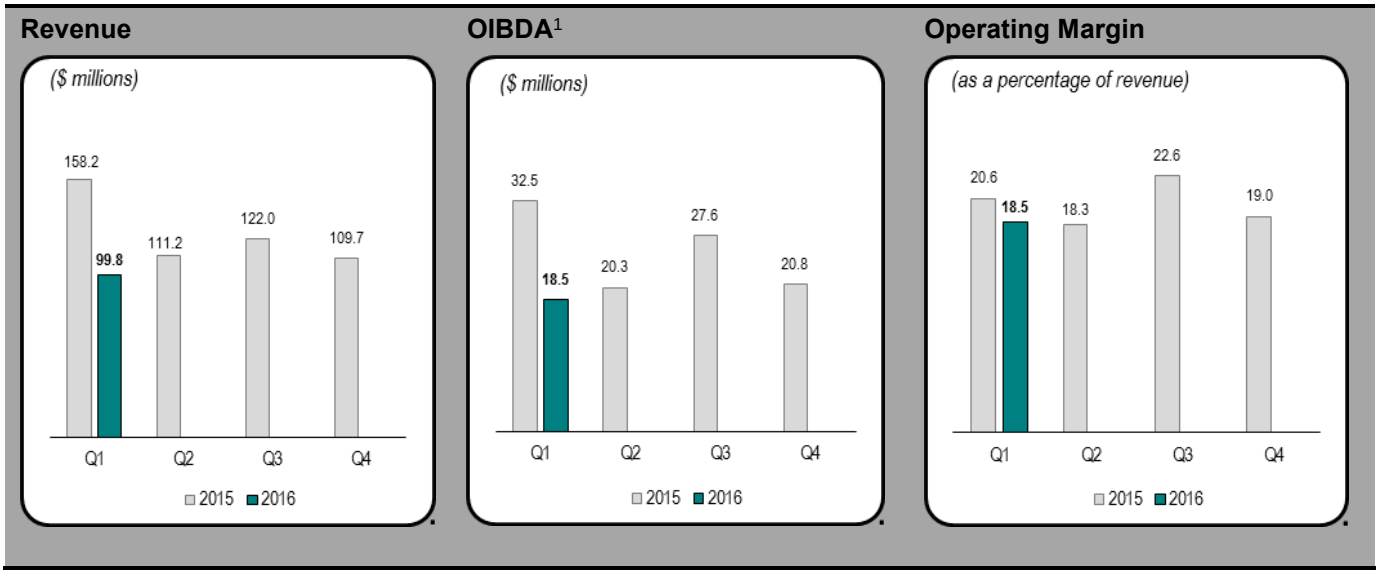
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

Drilling industry statistics indicate that the average active rig count in the WCSB was 153 rigs during the quarter as compared to 291 active rigs in 2015, a decrease of 138 rigs or 47.4 percent. Total wells drilled decreased by 40.3 percent to 1,111 wells drilled as compared to 1,860 wells drilled in 2015. The length of metres drilled within such wells decreased by 38.9 percent to 2.87 million metres as compared to 4.70 million metres in 2015.

	Three month periods ended March 31			
	2016	**2015**	**# Change**	**% Change**
British Columbia	**133**	187	(54)	(28.9)
Alberta	**547**	1,011	(464)	(45.9)
Saskatchewan	**390**	567	(177)	(31.2)
Manitoba	**41**	95	(54)	(56.8)
Northwest Territories	**—**	—	—	—
Total	**1,111**	1,860	(749)	(40.3)

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

Summary – Trailing Five Quarters



Revenue

Q1 Revenue – Oilfield Services *(unaudited)* *($ millions)*	**2016**		**2015**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**72.2**	**72.3**	103.1	65.2	(30.9)	(30.0)
Contractors	**27.1**	**27.2**	54.5	34.5	(27.4)	(50.3)
Other	**0.5**	**0.5**	0.6	0.3	(0.1)	(16.7)
Total	**99.8**	**100.0**	158.2	100.0	(58.4)	(36.9)

The Oilfield Services segment generated 36.5 percent of pre-consolidated revenue for the first quarter as compared to 46.8 percent in 2015. Revenue decreased by $58.4 million, or 36.9 percent, to $99.8 million as compared to $158.2 million in 2015. The decrease in segment revenue was due to revenue declines in every Business Unit within this segment with the exception of Premay Pipeline, as significantly lower commodity prices negatively

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

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

- a $33.2 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells;
- a $21.0 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- a $4.4 million decrease in revenue generated by those Business Units providing drilling services due to lower industry activity; and
- revenue generated by those Business Units providing specialized services remained constant due to an increase in demand for services associated with large diameter pipeline construction projects being offset by a decrease in demand for water management services and other specialized services.

Revenue related to Company Equipment decreased by $30.9 million, or 30.0 percent, to $72.2 million as compared to $103.1 million in 2015 and represented 72.3 percent of segment revenue in the current period compared to 65.2 percent in 2015. Revenue related to Contractors decreased by $27.4 million, or 50.3 percent, to $27.1 million as compared to $54.5 million in 2015 and represented 27.2 percent of segment revenue in the current period as compared to 34.5 percent in 2015.

Direct Operating Expenses

Q1 Direct Operating Expenses – Oilfield Services

(unaudited) ***($ millions)***	**2016**		**2015**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**20.4**	**28.3**	29.9	29.0	(9.5)	(31.8)
Fuel	**4.7**	**6.5**	8.1	7.9	(3.4)	(42.0)
Repairs and maintenance	**11.1**	**15.4**	15.7	15.2	(4.6)	(29.3)
Operating supplies	**7.1**	**9.8**	9.5	9.2	(2.4)	(25.3)
Other	**3.4**	**4.7**	3.7	3.6	(0.3)	(8.1)
	46.7	**64.7**	66.9	64.9	(20.2)	(30.2)
Contractors	**20.8**	**76.8**	41.8	76.7	(21.0)	(50.2)
Total	**67.5**	**67.6**	108.7	68.7	(41.2)	(37.9)

**as a percentage of respective Oilfield Services revenue*

DOE were $67.5 million in the first quarter as compared to $108.7 million in 2015. The decrease of $41.2 million, or 37.9 percent, was directly related to the $58.4 million, or 36.9 percent, decrease in segment revenue during the quarter. As a percentage of revenue these expenses decreased by 1.1 percent to 67.6 percent compared to 68.7 percent in 2015.

DOE associated with Company Equipment in the first quarter decreased to $46.7 million as compared to $66.9 million in 2015. The decrease of $20.2 million, or 30.2 percent, was directly related to the $30.9 million, or 30.0 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 0.2 percent to 64.7 percent as compared to 64.9 percent in 2015 primarily due to lower fuel expense and cost cutting measures being somewhat offset by higher operating supply expense related to Premay Pipeline's operations.

Contractors expense in the first quarter decreased by $21.0 million to $20.8 million as compared to $41.8 million in 2015. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense was virtually the same at 76.8 percent as compared to 76.7 percent in 2015.

Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Oilfield Services *(unaudited)* *($ millions)*	2016		2015		Change	
	$	%*	$	%*	$	%
Wages and benefits	**8.1**	**8.1**	9.7	6.1	(1.6)	(16.5)
Communications, utilities and general supplies	**3.6**	**3.6**	4.7	3.0	(1.1)	(23.4)
Profit share	**1.0**	**1.0**	1.1	0.7	(0.1)	(9.1)
Rent and other	**1.1**	**1.1**	1.5	0.9	(0.4)	(26.7)
Total	**13.8**	**13.8**	17.0	10.7	(3.2)	(18.8)

**as a percentage of total Oilfield Services revenue*

S&A expenses were $13.8 million in the first quarter as compared to $17.0 million in 2015. This $3.2 million decrease was mainly attributable to the combined $2.7 million total decline in wages and profit share expense as well as other cost cutting initiatives. S&A expenses as a percentage of segment revenue increased by 3.1 percent to 13.8 percent in comparison to 10.7 percent in 2015 due to the overall fixed nature of these expenses relative to the $58.4 million decrease in revenue.

Operating Income Before Depreciation and Amortization

OIBDA[1] in the first quarter decreased by 43.1 percent to $18.5 million. The $14.0 million year over year decrease can be attributed to the decline in revenue. Specifically, OIBDA[1] decreased due to the net effect of the following:

- an $8.6 million decrease in those Business Units involved in the transportation of fluids and servicing of wells;
- a $5.1 million decrease in those Business Units most directly tied to oil and natural gas drilling activity;
- a $2.4 million decrease relating to those Business Units involved in drilling services including core drilling; somewhat offset by
- a $2.1 million increase relating to those Business Units leveraged to the oil sands and pipeline construction projects.

OIBDA[1] represented as a percentage of segment revenue decreased to 18.5 percent in the first quarter from 20.6 percent in 2015, primarily due to the 3.1 percent increase in S&A expenses as a percentage of revenue.

Capital Expenditures

Net capital expenditures[1] were $0.1 million in the first quarter of 2016, a decrease of $4.4 million as compared to $4.5 million in 2015. The Oilfield Services segment had gross capital expenditures of $0.5 million and dispositions of $0.4 million for net capital expenditures[1] of $0.1 million in 2016. Gross capital expenditures mainly consisted of the purchase of equipment for Premay Pipeline and Canadian Dewatering L.P. The majority of the dispositions related to the sale of older trucks and trailers. In 2015 gross capital expenditures were $5.7 million and dispositions were $1.2 million for net capital expenditures[1] of $4.5 million. A significant portion of the 2015 gross capital expenditures consisted of equipment that had been ordered in the prior year.

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

CORPORATE

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

The Corporate Office experienced a loss of $7.6 million in the first quarter as compared to a profit of $7.3 million in 2015. The $14.9 million year over year variance was mainly attributable to a $14.0 million negative variance in foreign exchange. In 2016 the Corporate Office recorded a foreign exchange loss of $6.6 million as compared to a foreign exchange gain of $7.4 million in 2015. The $6.6 million foreign exchange loss in 2016 was due to the Corporate Office holding an average of U.S. $74.5 million of cash combined with a $0.09 strengthening of the Canadian dollar relative to the U.S. dollar. To a lesser extent, the increase in the operating loss was also due to a reduction in costs recovered from the Business Units and an increase in various administrative expenses. These increases were somewhat offset by a reduction in salaries.

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CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Three month periods ended March 31	
	2016	**2015**
Net cash from operating activities	**$ 34.5**	$ 41.9
Net cash used in financing activities	**(66.5)**	(32.6)
Net cash used in investing activities	**(3.5)**	(204.7)
Change in cash and cash equivalents	**(35.5)**	(195.4)
Effect of exchange rate fluctuations on cash held	**(6.6)**	7.9
Cash and cash equivalents, beginning of period	**147.2**	325.4
Cash and cash equivalents, end of period	**$ 105.1**	$ 137.9

Sources and Uses of Cash

Net cash from operating activities in the first quarter of 2016 decreased to $34.5 million, as compared to $41.9 million in 2015. The decrease of $7.4 million, or 17.7 percent, was due to an $11.4 million decrease in cash flows from operating activities and a $0.7 million change in non-cash working capital items from operating activities in 2016 as compared to 2015. These items were somewhat offset by a $4.7 million reduction in the amount of income taxes paid in the first quarter of 2016 as compared to 2015.

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

Changes in Non-Cash Working Capital Items from Operating Activities

(unaudited) *($ millions)*	Three month periods ended March 31		
	2016	**2015**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(3.7)**	31.3	(35.0)
Inventory	**1.3**	(2.3)	3.6
Prepaid expenses	**—**	1.5	(1.5)
Accounts payable and accrued liabilities	**2.1**	(30.1)	32.2
Total sources (uses) of cash from non-cash working capital items	**(0.3)**	0.4	(0.7)

Operating Activities

In the first quarter of 2016, Mullen Group used $0.3 million of cash from changes in non-cash working capital items from operating activities as compared to generating $0.4 million of cash in 2015. This $0.7 million variance was mainly due to the factors listed below.

- An additional $35.0 million of cash was used from trade and other receivables that resulted from the combined effect of a $3.7 million use of cash in 2016 as compared to a $31.3 million source of cash in 2015.

- An additional $1.5 million of cash was used from prepaid expenses that resulted from the combined effect of a $1.5 million source of cash in 2015 compared to a nil amount in 2016.

Somewhat offsetting these items were the following:

- An additional $32.2 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of a $2.1 million source of cash in 2016 as compared to a $30.1 million use of cash in 2015.

- An additional $3.6 million of cash was generated from inventory that resulted from the combined effect of a $1.3 million source of cash in 2016 as compared to a $2.3 million use of cash in 2015.

Financing Activities

Net cash used in financing activities increased to $66.5 million in the first quarter of 2016 as compared to $32.6 million in 2015. This $33.9 million increase was mainly due to the factors set forth below.

- A $69.4 million increase in the repayment of long-term debt and loans in 2016 as compared to 2015. The increase of $69.4 million was mainly due to repaying the Series C ($70.0 million) Notes in the first quarter of 2016.

- A $3.7 million decrease in dividends paid to shareholders in the first quarter of 2016 as compared to 2015 due to a reduction in the monthly dividend to $0.08 per Common Share for 2016 as compared to a monthly dividend of $0.10 per Common Share in 2015.

- A $35.0 million increase in cash was obtained from borrowings under the Bank Credit Facility (as hereafter defined on page 30).

- A reduction of $0.7 million of cash received from the exercise of stock options.

- A $1.9 million increase in interest paid on long-term debt, which was mainly due to repaying all the remaining interest on the Series C Notes in advance of the June 30, 2016, original maturity date.

Investing Activities

Net cash used in investing activities decreased to $3.5 million in the first quarter of 2016 as compared to $204.7 million in 2015. This $201.2 million decrease was mainly due to the factors set forth below.

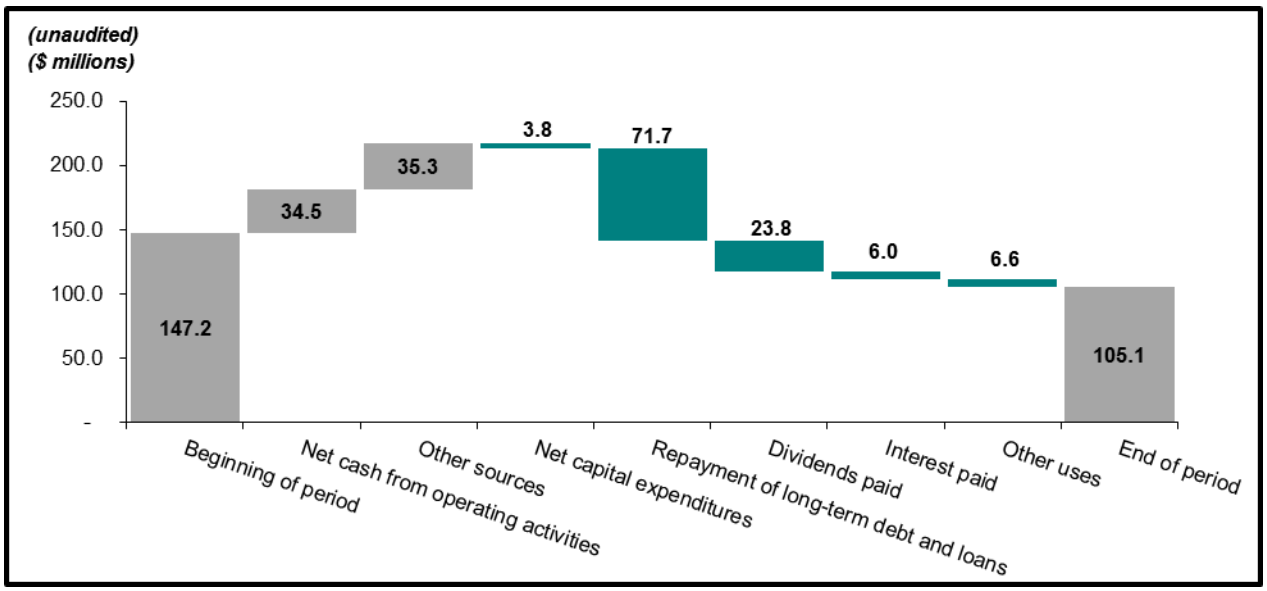
- A $166.0 million decrease in acquisition costs due to the 2015 acquisition of Gardewine.

- A $31.0 million decrease in net capital expenditures[1]. In 2015 net capital expenditures[1] were $34.8 million, most of which related to the purchase of real property within Saskatchewan that is currently being used in the operations of Jay's Transportation Group Ltd.

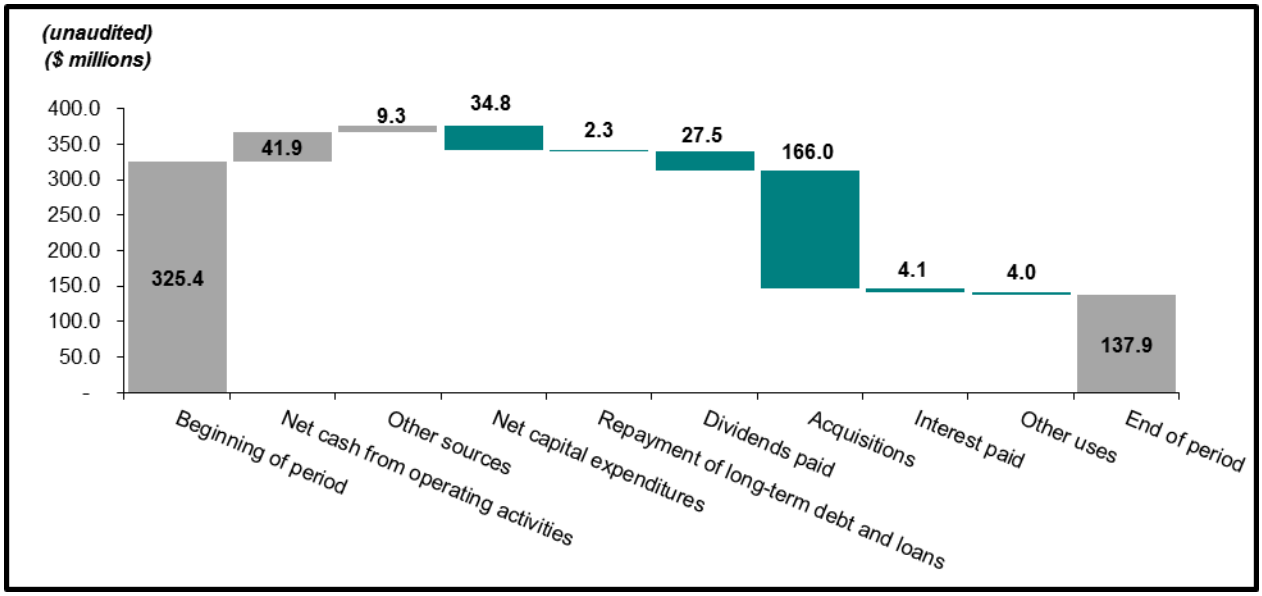
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

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

Three month period ended March 31, 2016



Three month period ended March 31, 2015



In addition to the $34.5 million (2015 – $41.9 million) of net cash from operating activities, Mullen Group also received $35.3 million (2015 – $9.3 million) of cash from other sources, which mainly consisted of the $35.0 million of borrowings drawn on the Bank Credit Facility (as hereafter defined on page 30) and to a lesser extent, the change in non-cash working capital items from investing activities and interest income generated on cash and cash equivalents. Cash was used to fund acquisitions of nil (2015 – $166.0 million), repay long-term debt and loans of $71.7 million (2015 – $2.3 million), pay dividends totalling $23.8 million (2015 – $27.5 million), incur net capital expenditures[1] of $3.8 million (2015 – $34.8 million) and pay interest obligations of $6.0 million (2015 – $4.1 million). Mullen Group also had $6.6 million of other uses, which consisted of the effect of exchange rate fluctuations on U.S. dollar cash held.

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

Working Capital

At March 31, 2016, Mullen Group had $184.8 million (December 31, 2015 – $187.1 million) of working capital, which included $105.1 million (December 31, 2015 – $147.2 million) of cash and cash equivalents. Mullen Group also had access to its $75.0 million credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). At March 31, 2016, Mullen Group had drawn $35.0 million on the Bank Credit Facility. Mullen Group had $77.0 million of U.S. cash at March 31, 2016, but chose to utilize a portion of the Bank Credit Facility to repay the Series C Notes rather than convert some of its U.S. cash into Canadian currency. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 are available to finance Mullen Group's ongoing working capital requirements, dividends declared by the Board, its 2016 capital expenditure budget, as well as various special projects and acquisition opportunities.

Capital Expenditures

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

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Debt

As at March 31, 2016, Mullen Group had net debt[1] outstanding of $496.0 million, (December 31, 2015 – $522.0 million), which consisted of total debt of $717.6 million (December 31, 2015 – $780.9 million) less working capital (excluding the current portion of long-term debt) of $221.6 million (December 31, 2015 – $258.9 million). The repayment of the Series C ($70.0 million) Notes and the strengthening of the Canadian dollar relative to the U.S. dollar is the primary reason for the decrease in the carrying value of the long-term debt. Total debt is comprised of the Private Placement Debt, Debentures, Various Financing Loans and the Bank Credit Facility. The following table summarizes Mullen Group's total and net debt[1] as at March 31, 2016, and December 31, 2015:

		March 31, 2016		December 31, 2015		
($ millions)	**Interest Rate**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**Change in CDN. Dollar Equivalent**
Private Placement Debt:						
Series C - repaid on March 30, 2016	5.60%	$ —	$ —	$ —	$ 70.0	**$ (70.0)**
Series D - matures June 30, 2018	5.76%	—	70.0	—	70.0	—
Series E - matures September 27, 2017	5.90%	85.0	110.4	85.0	117.6	**(7.2)**
Series F - matures September 27, 2017	5.47%	—	20.0	—	20.0	—
Series G - matures October 22, 2024	3.84%	117.0	151.9	117.0	161.9	**(10.0)**
Series H - matures October 22, 2026	3.94%	112.0	145.5	112.0	155.0	**(9.5)**
Series I - matures October 22, 2024	3.88%	—	30.0	—	30.0	—
Series J - matures October 22, 2026	4.00%	—	3.0	—	3.0	—
Series K - matures October 22, 2024	3.95%	—	58.0	—	58.0	—
Series L - matures October 22, 2026	4.07%	—	80.0	—	80.0	—
Bank Credit Facility	variable[(1)]	—	35.0	—	—	**35.0**
Various Financing Loans	2.85% - 7.68%	—	4.6	—	5.2	**(0.6)**
Less:						
Unamortized debt issuance costs		—	(3.0)	—	(2.0)	**(1.0)**
Long-term debt (including the current portion)		314.0	705.4	314.0	768.7	**(63.3)**
Debentures - debt component	10.0%	—	12.2	—	12.2	—
Total debt		**$ 314.0**	**$ 717.6**	$ 314.0	$ 780.9	**$ (63.3)**
Less:						
Working capital (excluding the current portion of long-term debt)			221.6		258.9	**(37.3)**
Net debt[(2)]			**$ 496.0**		$ 522.0	**$ (26.0)**

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

Amending Agreement

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

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

Private Placement Debt Financial Covenants

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

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

Total net debt[(1)] to operating cash flow		**March 31 2016**		**December 31 2015**
Total net debt[(1)]	$	**625.3**	$	770.3
Operating cash flow	$	**205.4**	$	231.3
Total net debt[(1)] to operating cash flow		**3.04:1**		3.33:1

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

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**	**March 31 2016**	**December 31 2015**
Private Placement Debt Covenants			
(a) Total net debt[(1)] to operating cash flow cannot exceed	3.50:1	**3.04:1**	3.33:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	**4.85:1**	5.48:1

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

Mullen Group's total net debt[1] to operating cash flow covenant was 3.04:1 at March 31, 2016. Assuming the $625.3 million of total net debt[1] remains constant, Mullen Group would need to generate approximately $178.7 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. Mullen Group has $105.1 million of cash as at March 31, 2016, a portion of which could be used to prepay some of its existing debt. All or a portion of the $105.1 million of cash could also be used to acquire businesses. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to Mullen Group's trailing twelve month operating cash flows from the date of acquisition for financial covenant calculation purposes.

Mullen Group's debt-to-equity ratio was 0.89:1 at March 31, 2016, as compared to 0.97:1 at December 31, 2015. This decrease in the debt-to-equity ratio was due to the net effect of a $63.3 million decrease in total debt (including the current portion) and a $0.3 million decrease in equity as compared to December 31, 2015. The $63.3 million decrease in total debt was mainly due to the repayment of Series C ($70.0 million) Notes and from the effect of the $26.8 million unrealized foreign exchange gain on the Corporation's U.S. dollar denominated debt. These

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

decreases were somewhat offset by the $35.0 million that was drawn on the Bank Credit Facility. The $0.3 million decrease in equity mainly resulted from the $22.0 million of dividends declared to shareholders in 2016. This item was somewhat offset by the $21.4 million of net income recognized in 2016.

Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 40 of the 2015 MD&A. As at March 31, 2016, other than the repayment of the Series C ($70.0 million) Notes, Mullen Group's contractual obligations have not changed significantly from this overview.

Share Capital

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

Common Shares

Common Shares **Authorized: Unlimited Number**	**# of Common Shares**		**Amount** ***($ millions)***
Balance at December 31, 2015	91,661,066	$	778.4
Common Shares issued on conversion of Debentures	—		—
Common Shares issued on exercise of stock options	—		—
Balance at March 31, 2016	**91,661,066**	**$**	**778.4**

At March 31, 2016, Mullen Group had 91,661,066 Common Shares outstanding representing $778.4 million in share capital, which is consistent with the amount and number of Common Shares outstanding at December 31, 2015.

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)		**March 31, 2016**		**December 31, 2015**	
Year of Maturity	**Nominal Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2018	10%	**$ 12.4**	**$ 12.2**	$ 12.4	$ 12.2

As at March 31, 2016, on a cumulative basis, a total of 112,555 Debentures representing $112.6 million of aggregate principal amount had been converted into 10,686,804 Common Shares of Mullen Group. As such, Mullen Group had 12,445 Debentures outstanding that could be converted into an aggregate of approximately 1,159,874 Common Shares of the Corporation. As subordinated debt, the accounting value assigned to the Debentures, including any related interest expense, is excluded from Mullen Group's financial covenant calculations on its Private Placement Debt. The Debentures are also subordinated to the Bank Credit Facility.

Stock Option Plan

	Options	Weighted average exercise price
Outstanding – December 31, 2015	2,354,744	$ 20.94
Granted	—	—
Exercised	—	—
Forfeited	(62,244)	(21.14)
Outstanding – March 31, 2016	**2,292,500**	**$ 20.93**
Exercisable – March 31, 2016	**1,072,500**	**$ 19.99**

The total number of options available to be issued under the stock option plan cannot exceed 4,000,000. In the first quarter of 2016, there were no stock options granted or exercised. There were 62,244 stock options forfeited in the first three months of 2016. As at March 31, 2016, Mullen Group had 2,292,500 stock options outstanding under the stock option plan.

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SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

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

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

Financial Results

	TTM[1]	2016	2015				2014		
(unaudited)		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
($ millions, except per share amounts)	$	$	$	$	$	$	$	$	$
Revenue	**1,148.9**	**271.7**	**287.7**	**304.7**	**284.8**	**337.2**	345.2	357.3	313.4
Operating income before depreciation and amortization[2]	**203.5**	**38.9**	**52.7**	**65.5**	**46.4**	**64.8**	64.9	76.6	52.0
Operating income before depreciation and amortization – adjusted[2]	**201.7**	**45.5**	**49.3**	**59.4**	**47.5**	**57.4**	63.1	76.3	52.4
Net income	**32.0**	**21.4**	**2.4**	**7.3**	**0.9**	**2.8**	22.2	10.5	25.6
Earnings per share									
Basic	**0.35**	**0.23**	**0.03**	**0.08**	**0.01**	**0.03**	0.25	0.11	0.28
Diluted	**0.35**	**0.23**	**0.03**	**0.08**	**0.01**	**0.03**	0.24	0.11	0.28
Other Information									
Net unrealized foreign exchange (gain) loss	**5.5**	**(16.5)**	**10.6**	**10.2**	**1.2**	**17.7**	4.6	10.1	(9.0)
Decrease (increase) in fair value of investments	**15.2**	**0.1**	**3.5**	**7.4**	**4.2**	**4.3**	18.0	2.8	(3.0)

(1) *TTM represents the "trailing twelve months" and consists of a summary of the Corporation's financial results for the most recently completed four quarters.*
(2) *Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".*

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

increases were somewhat offset by a $25.9 million decrease in OIBDA[1] and a $0.5 million increase in finance costs. As a result, basic earnings per share in the first quarter of 2016 was $0.23, an increase of $0.20, from the $0.03 generated in 2015.

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

Consolidated revenue in the third quarter of 2015 decreased by $52.6 million, or 14.7 percent, to $304.7 million as compared to $357.3 million in 2014. The decrease of $52.6 million was attributable to a reduction in revenue experienced in the Oilfield Services segment being somewhat offset by an increase in revenue experienced by the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $88.8 million and was due to the continuation of low commodity prices, which resulted in lower drilling activity levels and reduced capital investments in western Canada. This led to revenue declines in almost all of our Business Units within this segment. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects and from the incremental revenue generated from the acquisition of Recon Utility Search L.P. ("**Recon**"). The Trucking/Logistics segment experienced a $36.4 million increase in revenue due to the incremental revenue generated from the T/L Acquisitions (excluding Courtesy) and the acquisition of Bernard Transport Ltd. ("**Bernard**"). Net income in the third quarter of 2015 was $7.3 million, a decrease of $3.2 million from the $10.5 million generated in 2014. The $3.2 million decrease in net income was mainly attributable to an $11.1 million decrease in OIBDA[1] and a $4.6 million negative variance in the fair value of investments. These decreases were somewhat offset by a $19.0 million one-time expense recorded in 2014 related to the prepayment of the Series A and Series B Notes. As a result, basic earnings per share in the third quarter of 2015 was $0.08, a decrease of $0.03, from the $0.11 generated in 2014.

Consolidated revenue in the second quarter of 2015 decreased by $28.6 million, or 9.1 percent, to $284.8 million as compared to $313.4 million in 2014. The decrease of $28.6 million was attributable to a reduction in revenue experienced in the Oilfield Services segment being somewhat offset by a rise in revenue experienced by the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $64.7 million and was due to lower drilling activity levels and reduced capital investments in western Canada, which led to revenue declines in almost all of our Business Units within this segment. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects and from the incremental revenue generated from the acquisition of Recon. The Trucking/Logistics segment experienced a $36.2 million increase in revenue due to the incremental revenue generated from the T/L Acquisitions (excluding Courtesy) and the acquisition of Bernard. Net income in the second quarter of 2015 was $0.9 million, a decrease of $24.7 million from the $25.6 million generated in 2014. The $24.7 million decrease in net income was mainly attributable to a $5.6 million decrease in OIBDA[1], a $7.2 million negative variance in the fair value of investments, a $10.2 million negative variance in net unrealized foreign exchange and a $2.3 million increase in finance costs. These decreases were partially offset by a $4.8 million decrease in loss on sale of property, plant and equipment and a $0.4 million increase in earnings from equity investments. As a result, basic earnings per share in the second quarter of 2015 was $0.01, a decrease of $0.27, from the $0.28 generated in 2014.

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

TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 58 of the 2015 MD&A. As at March 31, 2016, the transactions with related parties have not changed significantly from these descriptions.

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

PRINCIPAL RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties can be found beginning on page 59 of the 2015 MD&A. As at March 31, 2016, these business risks and uncertainties have not changed significantly from those descriptions.

CRITICAL ACCOUNTING ESTIMATES

This MD&A summarizes Mullen Group's financial condition and results of operations and is based upon its Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 69 of the 2015 MD&A. As at March 31, 2016, Mullen Group's critical accounting estimates have not changed significantly from such description.

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

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

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at March 31, 2016, an evaluation of the effectiveness of Mullen Group's disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). Based on this evaluation, the CEO and the CFO concluded that, as at March 31, 2016, the design and operation of Mullen Group's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

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

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

FORWARD-LOOKING INFORMATION STATEMENTS

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

- Mullen Group's expectation that the Trucking/Logistics segment will continue to be our best performer, as referred to in the Executive Summary beginning on page 4;

- Mullen Group's intention to pay monthly dividends of $0.03 per Common Share commencing with the declaration of the May 2016 dividend, as referred to in the Executive Summary and Dividends sections beginning on page 4 and page 8, respectively;

- Mullen Group's focus will be on strengthening the balance sheet by using our cash position to repay a portion of our long-term debt and aligning the dividend to a level that is proportionate to the cash expected to be generated from operations, as referred to in the Outlook section beginning on page 6;

- Mullen Group's expectation that the oil and gas services industry will remain under stress until commodity prices recover, accompanied by new capital being available to the oil and gas producers, as referred to in the Outlook section beginning on page 6;

- Mullen Group's expectation that the Trucking/Logistics segment will remain competitive with limited growth opportunity, as referred to in the Outlook section beginning on page 6;

- Mullen Group's comment that acquisitions will be key to growth in the short term, as referred to in the Outlook section beginning on page 6;

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

- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 to finance its ongoing working capital requirements, dividends declared by the Board, its 2016 capital expenditure budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 27.

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 the Trucking/Logistics segment will continue to be our best performer, is based on the assumption that the current market environment for anyone involved in or with the oil and gas industry is both difficult and challenging, with activity levels, pricing and employment at multi-decade lows.

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

- Mullen Group's focus will be on strengthening the balance sheet by using our cash position to repay a portion of our long-term debt and aligning the dividend to a level that is proportionate to the cash expected to be generated from operations, is based on the assumption that given the current operating environment, the Board will continue to monitor events to ensure the overall sustainability of Mullen Group is not compromised.

- Mullen Group's expectation that the oil and gas services industry will remain under stress until commodity prices recover, accompanied by new capital being available to the oil and gas producers, is based on the assumption that these two criteria are fundamental to increased demand for oilfield services as well as to a recovery in the Alberta economy.

- Mullen Group's expectation that the Trucking/Logistics segment will remain competitive with limited growth opportunity, is based on the assumption that the overall Canadian economy is expected to maintain its current slow growth trajectory.

- Mullen Group's comment that acquisitions will be key to growth in the short term, is based on the assumptions that the Oilfield Services segment will remain under stress until commodity prices recover, accompanied by new capital being available to the oil and gas producers, that the Trucking/Logistics segment will remain competitive with limited growth opportunity and that we will continue to evaluate a number of opportunities. However, any acquisition must be strategic to Mullen Group and meet our financial requirements.

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

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

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

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

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

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

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

Operating Income Before Depreciation and Amortization

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

Reconciliation of Net Income to Operating Income Before Depreciation and Amortization

(unaudited) *($ millions)*	Three month periods ended March 31			
		2016		**2015**
Net income	**$**	**21.4**	$	2.8
Add (deduct):				
Income tax expense		**2.4**		8.9
Net unrealized foreign exchange (gain) loss		**(16.5)**		17.7
Other (income) expense		**(0.4)**		4.0
Finance costs		**9.5**		9.0
Depreciation of property, plant and equipment		**17.8**		17.7
Amortization of intangible assets		**4.7**		4.7
Operating income before depreciation and amortization	**$**	**38.9**	$	64.8

Operating Income Before Depreciation and Amortization – Adjusted

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

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

(unaudited) *($ millions)*	Three month periods ended March 31			
		2016		**2015**
Net income	**$**	**21.4**	$	2.8
Add (deduct):				
Income tax expense		**2.4**		8.9
Net unrealized foreign exchange (gain) loss		**(16.5)**		17.7
Other (income) expense		**(0.4)**		4.0
Finance costs		**9.5**		9.0
Depreciation of property, plant and equipment		**17.8**		17.7
Amortization of intangible assets		**4.7**		4.7
Selling and administrative expenses[1]		**6.6**		(7.4)
Operating income before depreciation and amortization – adjusted	**$**	**45.5**	$	57.4

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

Net Income – Adjusted and Earnings per Share – Adjusted

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

Net Capital Expenditures

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

(unaudited) *($ millions)*	Three month periods ended March 31			
		2016		**2015**
Purchase of property, plant and equipment	**$**	**4.4**	$	36.4
Proceeds on sale of property, plant and equipment		**(0.6)**		(1.6)
Net capital expenditures	**$**	**3.8**	$	34.8

Net Debt

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

(unaudited) ***($ millions)***		**March 31, 2016**		**December 31, 2015**
Long-term debt	**$**	**668.6**	$	696.9
Convertible debentures - debt component		**12.2**		12.2
Total debt		**680.8**		709.1
Less working capital:				
Current assets		**317.7**		353.1
Current liabilities		**(132.9)**		(166.0)
Total working capital		**184.8**		187.1
Net debt	**$**	**496.0**	$	522.0

Total Net Debt

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

(unaudited) ***($ millions)***				**March 31, 2016**
Bank Credit Facility			**$**	**35.0**
Private Placement Debt (including current portion)				**665.8**
Various loans				**4.6**
Letters of credit				**4.6**
Total debt				**710.0**
Less: excess cash				
Cash and cash equivalents	$	105.1		
Covenant threshold		(50.0)		
Excess cash				**(55.1)**
Less: unrealized gain on Cross-Currency Swaps				**(29.6)**
Add: unrealized loss on Cross-Currency Swaps				—
				(84.7)
Total net debt			**$**	**625.3**

Cash Flow per Share

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended March 31**			
		2016		**2015**
Net cash from operating activities	**$**	**34.5**	$	41.9
Weighted average number of Common Shares outstanding		**91,661,066**		91,633,892
Cash flow per share	**$**	**0.38**	$	0.46

MARCH 31, 2016

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		March 31 2016		December 31 2015
Assets					
Current assets:					
Cash and cash equivalents		**$**	**105,145**	$	147,243
Trade and other receivables			**163,680**		159,963
Inventory			**28,951**		30,278
Prepaid expenses			**9,578**		9,620
Current tax receivable			**10,345**		6,019
			317,699		353,123
Non-current assets:					
Property, plant and equipment			**978,221**		992,206
Goodwill			**344,186**		344,186
Intangible assets			**25,409**		30,107
Investments			**42,846**		42,495
Deferred tax assets			**9,325**		9,807
Derivative financial instruments	**5**		**29,602**		39,949
Other assets			**5,163**		5,162
			1,434,752		1,463,912
Total Assets		**$**	**1,752,451**	$	1,817,035
Liabilities and Equity					
Current liabilities:					
Bank indebtedness	**8**	**$**	**35,000**	$	—
Accounts payable and accrued liabilities			**88,772**		83,156
Dividends payable	**6**		**7,333**		9,166
Current tax payable			**15**		1,878
Current portion of long-term debt	**8**		**1,783**		71,856
			132,903		166,056
Non-current liabilities:					
Long-term debt	**8**		**668,631**		696,859
Convertible debentures – debt component			**12,212**		12,186
Deferred tax liabilities			**132,358**		135,290
			813,201		844,335
Equity:					
Share capital	**9**		**778,448**		778,448
Convertible debentures – equity component			**550**		550
Contributed surplus			**11,925**		11,597
Retained earnings			**15,424**		16,049
			806,347		806,644
Total Liabilities and Equity		**$**	**1,752,451**	$	1,817,035

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on April 20, 2016, after review by the Audit Committee.

"Signed: Murray K. Mullen" ***"Signed: Dennis J. Hoffman"***

Murray K. Mullen, Director Dennis J. Hoffman, Director

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) *(thousands, except per share amounts)*	Note	Three month periods ended March 31 2016	2015
Revenue		**$ 271,733**	$ 337,246
Direct operating expenses		**187,807**	240,082
Selling and administrative expenses		**45,016**	32,305
Operating income before depreciation and amortization		**38,910**	64,859
Depreciation of property, plant and equipment		**17,819**	17,733
Amortization of intangible assets		**4,698**	4,700
Finance costs		**9,482**	9,034
Net unrealized foreign exchange (gain) loss	**5**	**(16,437)**	17,668
Other (income) expense	**12**	**(395)**	4,061
Income before income taxes		**23,743**	11,663
Income tax expense	**7**	**2,369**	8,851
Net income and total comprehensive income		**$ 21,374**	$ 2,812
Earnings per share:	**10**		
Basic		**$ 0.23**	$ 0.03
Diluted		**$ 0.23**	$ 0.03
Weighted average number of Common Shares outstanding:	**10**		
Basic		**91,661**	91,634
Diluted		**92,821**	91,708

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited) (*thousands*)	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2016	**$ 778,448**	**$ 550**	**$ 11,597**	**$ 16,049**	**$ 806,644**
Total comprehensive income for the period	**—**	**—**	**—**	**21,374**	**21,374**
Common Shares issued on conversion of convertible debentures	**—**	**—**	**—**	**—**	**—**
Stock-based compensation expense	**—**	**—**	**328**	**—**	**328**
Common Shares issued on exercise of stock options	**—**	**—**	**—**	**—**	**—**
Dividends declared to common shareholders	**—**	**—**	**—**	**(21,999)**	**(21,999)**
Balance at March 31, 2016	**$ 778,448**	**$ 550**	**$ 11,925**	**$ 15,424**	**$ 806,347**

(unaudited) (*thousands*)	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2015	$ 777,262	$ 550	$ 10,463	$ 112,668	$ 900,943
Total comprehensive income for the period	—	—	—	2,812	2,812
Common Shares issued on conversion of convertible debentures	—	—	—	—	—
Stock-based compensation expense	—	—	279	—	279
Common Shares issued on exercise of stock options	918	—	(226)	—	692
Dividends declared to common shareholders	—	—	—	(27,492)	(27,492)
Balance at March 31, 2015	$ 778,180	$ 550	$ 10,516	$ 87,988	$ 877,234

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	Note	Three month periods ended March 31 2016	2015
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 21,374**	$ 2,812
Adjustments for:			
Depreciation of property, plant and equipment		**17,819**	17,733
Amortization of intangible assets		**4,698**	4,700
Finance costs		**9,482**	9,034
Stock-based compensation expense		**328**	279
Unrealized foreign exchange loss (gain) on cross-currency swaps	**5**	**10,347**	(15,773)
Foreign exchange		**(20,233)**	25,555
Change in fair value of investments		**128**	4,335
(Gain) loss on sale of property, plant and equipment		**(44)**	204
Earnings from equity investments		**(479)**	(478)
Income tax expense		**2,369**	8,851
		45,789	57,252
Changes in non-cash working capital items from operating activities:			
Trade and other receivables		**(3,717)**	31,341
Inventory		**1,327**	(2,282)
Prepaid expenses		**42**	1,528
Accounts payable and accrued liabilities		**2,043**	(30,111)
Cash generated from operating activities		**45,484**	57,728
Income tax paid		**(11,008)**	(15,685)
Net cash from operating activities		**34,476**	42,043
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(23,832)**	(27,488)
Interest paid		**(6,047)**	(4,094)
Repayment of long-term debt and loans		**(71,667)**	(2,323)
Proceeds from bank credit facility		**35,000**	—
Net proceeds from Common Share issuances		**—**	692
Changes in non-cash working capital items from financing activities		**38**	575
Net cash (used in) financing activities		**(66,508)**	(32,638)
Cash flows from investing activities:			
Acquisitions net of cash acquired		**—**	(165,979)
Purchase of property, plant and equipment		**(4,390)**	(36,423)
Proceeds on sale of property, plant and equipment		**600**	1,588
Interest received		**193**	142
Other assets		**(1)**	(3)
Changes in non-cash working capital items from investing activities		**83**	(4,039)
Net cash (used in) investing activities		**(3,515)**	(204,714)
Change in cash and cash equivalents		**(35,547)**	(195,309)
Cash and cash equivalents at January 1		**147,243**	325,365
Effect of exchange rate fluctuations on cash held		**(6,551)**	7,886
Cash and cash equivalents at March 31		**$ 105,145**	$ 137,942

The notes which begin on page 49 are an integral part of these condensed interim consolidated financial statements.

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

3. Significant Accounting Policies

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

4. Determination of Fair Values

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

March 31, 2016 Financial Instrument	Fair Value Hierarchy		Carrying Amount		Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	$	11,805	$	11,805
Derivative Financial Instruments	Level 2	$	29,602	$	29,602
Private Placement Debt	Level 2	$	665,767	$	606,947
Debentures – debt component	Level 2	$	12,212	$	13,473

5. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap $117.0 million U.S. dollars and $112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of $1.1047 and $1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. For the three month period ended March 31, 2016, Mullen Group recorded a net unrealized foreign exchange (gain) loss of $(16.5) million (2015 – $17.7 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Unrealized Foreign Exchange (Gain) Loss	Three month periods ended March 31			
	CDN. $ Equivalent			
		2016		2015
Unrealized foreign exchange (gain) loss on U.S. debt	**$**	**(26,784)**	$	33,441
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		**10,347**		(15,773)
Net unrealized foreign exchange (gain) loss	**$**	**(16,437)**	$	17,668

For the three month period ending March 31, 2016, Mullen Group recorded an unrealized foreign exchange (gain) loss on U.S. debt of $(26.8) million (2015 - $33.4 million) as summarized in the table below:

Unrealized Foreign Exchange (Gain) Loss on U.S. Debt	Three month periods ended March 31					
	2016			2015		
($ thousands, except exchange rate amounts)	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent
Ending – March 31	**314,000**	**1.2987**	**407,792**	314,000	1.2666	397,712
Beginning – January 1	**314,000**	**1.3840**	**434,576**	314,000	1.1601	364,271
Unrealized foreign exchange (gain) loss on U.S. debt			**(26,784)**			33,441

For the three month period ended March 31, 2016, Mullen Group recorded an unrealized foreign exchange loss (gain) on its Cross-Currency Swaps of $10.3 million (2015 – $(15.7) million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Unrealized Foreign Exchange Loss (Gain) on Cross-Currency Swaps	Three month periods ended March 31			
	2016		2015	
	U.S. $ Swaps	CDN. $ Change in Fair Value of Swaps	U.S. $ Swaps	CDN. $ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	**117,000**	**5,526**	117,000	(8,260)
Cross-Currency Swap maturing October 22, 2026	**112,000**	**4,821**	112,000	(7,513)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		**10,347**		(15,773)

6. Dividends Payable

For the three month period ended March 31, 2016, Mullen Group declared monthly dividends of $0.08 per Common Share totalling $0.24 per Common Share (2015 – $0.30 per Common Share). At March 31, 2016, Mullen Group had 91,661,066 Common Shares outstanding and a dividend payable of $7.3 million (December 31, 2015 – $9.2 million), which was paid on April 15, 2016. Mullen Group also declared a dividend of $0.08 per Common Share on April 19, 2016, to the holders of record at the close of business on April 30, 2016. On April 20, 2016, the Board of Directors (the "**Board**") of Mullen Group reduced the amount of the monthly dividend to $0.03 per Common Share commencing with the declaration of the May 2016 dividend.

7. Income Taxes

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

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

	Three month periods ended March 31	
	2016	2015
Income before income taxes	**$ 23,743**	$ 11,663
Combined statutory tax rate	**27%**	26%
Expected income tax	**6,411**	3,032
Add (deduct):		
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	**(2,219)**	2,209
Non-deductible portion of the change in fair value of investments	**17**	573
Stock-based compensation expense	**88**	70
Other	**(1,928)**	2,967
Income tax expense	**$ 2,369**	$ 8,851

8. Long-Term Debt and Credit Facility

Mullen Group has a $75.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at March 31, 2016, Mullen Group had drawn $35.0 million on this facility. This facility does not have any financial covenants, however, Mullen Group must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

Mullen Group has $4.6 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 a series of unsecured debt (collectively, the "**Private Placement Debt**"), the details of which are set forth below:

Notes		Principal amount	Maturity	Interest Rate [1]
Series D	$	70,000 CDN.	June 30, 2018	5.76%
Series E	$	85,000 U.S.	September 27, 2017	5.90%
Series F	$	20,000 CDN.	September 27, 2017	5.47%
Series G	$	117,000 U.S.	October 22, 2024	3.84%
Series H	$	112,000 U.S.	October 22, 2026	3.94%
Series I	$	30,000 CDN.	October 22, 2024	3.88%
Series J	$	3,000 CDN.	October 22, 2026	4.00%
Series K	$	58,000 CDN.	October 22, 2024	3.95%
Series L	$	80,000 CDN.	October 22, 2026	4.07%

[1] Interest is payable semi-annually.

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

Mullen Group's unamortized debt issuance costs of $3.0 million related to its Private Placement Debt have been netted against its carrying value at March 31, 2016 (December 31, 2015 – $2.0 million). Mullen Group has financial covenants that must be met under its Private Placement Debt agreements, which included a total debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio, as defined in such agreements. On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms (the "**Amending Agreement**") up to an including March 31, 2018 (the "**Covenant Relief Period**"). The Amending Agreement replaces the financial covenant term total debt with total net debt for financial covenant calculation purposes. During the Covenant Relief Period, total net debt is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. Mullen Group is in compliance with all the Private Placement Debt financial covenants. Mullen Group also had debt comprised of various financing loans, which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

The following table summarizes the Corporation's total debt:

		March 31, 2016		December 31, 2015
Current liabilities:				
Private Placement Debt	**$**	**—**	$	70,000
Various Financing Loans		**1,783**		1,856
Bank Credit Facility		**35,000**		—
		36,783		71,856
Non-current liabilities:				
Private Placement Debt		**665,767**		693,559
Various Financing Loans		**2,864**		3,300
		668,631		696,859
	$	**705,414**	$	768,715

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

			March 31, 2016		December 31, 2015	
	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	$	$	$
Bank Credit Facility	—	Variable	**35,000**	**35,000**	—	—
Private Placement Debt	2017 – 2026	3.84% - 5.90%	**668,792**	**665,767**	765,576	763,559
Various Financing Loans	2016 – 2020	2.85% - 7.68%	**4,647**	**4,647**	5,156	5,156
			708,439	**705,414**	770,732	768,715

9. Share Capital

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

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

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

	# of Common Shares	
	2016	2015
Issued Common Shares at January 1	**91,661,066**	91,610,709
Stock options exercised	**—**	41,333
Common Shares issued on conversion of Debentures	**—**	—
Issued Common Shares at March 31	**91,661,066**	91,652,042

10. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three month period ended March 31, 2016, was $21.4 million (2015 – $2.8 million). The weighted average number of Common Shares outstanding for the three month periods ended March 31, 2016 and 2015 was calculated as follows:

		Three month periods ended March 31	
	Note	2016	2015
Issued Common Shares at beginning of period	**9**	**91,661,066**	91,610,709
Effect of stock options exercised		**—**	23,183
Effect of Debentures converted		**—**	—
Weighted average number of Common Shares at end of period – basic		**91,661,066**	91,633,892

(b) Diluted Earnings per Share

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

	Three month periods ended March 31			
		2016		**2015**
Net income	**$**	**21,374**	$	2,812
Effect on finance costs from conversion of Debentures (net of tax)		**246**		—
Net income – adjusted	**$**	**21,620**	$	2,812

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

	Three month periods ended March 31	
	2016	**2015**
Weighted average number of Common Shares – basic	**91,661,066**	91,633,892
Effect of "in the money" stock options	**—**	74,459
Effect of conversion of Debentures	**1,159,874**	—
Weighted average number of Common Shares at end of period – diluted	**92,820,940**	91,708,351

For the three month period ended March 31, 2016, 2,292,500 stock options (2015 – 750,000) 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 March 31, 2016 and 2015. For the three month period ended March 31, 2016, the Common Shares that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**") were included in the calculation as their effect was dilutive. For the three month period ended March 31, 2015, 1,159,874 Common Shares, which would be issued upon conversion of the Debentures, were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive.

11. Seasonality of Operations

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

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

12. Other (Income) Expense

	Three month periods ended March 31			
		2016		**2015**
Change in fair value of investments	**$**	**128**	$	4,335
(Gain) loss on sale of property, plant and equipment		**(44)**		204
Earnings from equity investments		**(479)**		(478)
	$	**(395)**	$	4,061

13. Operating Segments

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

				Intersegment eliminations		
Three month period ended March 31, 2016	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	**$ 173,889**	**$ 99,774**	**$ 468**	**$ (1,743)**	**$ (655)**	**$ 271,733**
Income before income taxes	**16,960**	**1,543**	**5,240**	**—**	**—**	**23,743**
Depreciation of property, plant and equipment	**5,013**	**11,265**	**1,541**	**—**	**—**	**17,819**
Amortization of intangible assets	**1,984**	**2,714**	**—**	**—**	**—**	**4,698**
Capital expenditures [1]	**3,761**	**508**	**130**	**—**	**(9)**	**4,390**
Total assets at March 31, 2016	**$ 480,714**	**$ 632,812**	**$ 638,925**	**$ —**	**$ —**	**$ 1,752,451**

[1] Excludes business acquisitions

				Intersegment eliminations		
Three month period ended March 31, 2015	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	$ 180,076	$ 158,194	$ 832	$ (944)	$ (912)	$ 337,246
Income (loss) before income taxes	14,348	15,157	(17,842)	—	—	11,663
Depreciation of property, plant and equipment	4,835	11,380	1,518	—	—	17,733
Amortization of intangible assets	2,029	2,671	—	—	—	4,700
Capital expenditures [1]	5,570	5,679	25,177	—	(3)	36,423
Total assets at December 31, 2015	$ 472,159	$ 654,344	$ 690,532	$ —	$ —	$ 1,817,035

[1] Excludes business acquisitions

CORPORATE INFORMATION

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Greg Bay, CFA
Director

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Director

Stephen H. Lockwood, Q.C.
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David E. Mullen
Director

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

P. Stephen Clark, CPA, CMA
Chief Financial Officer

Richard J. Maloney
Senior Vice President

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

EXECUTIVE

Murray K. Mullen
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