Mullen Group Ltd.

Q1

INTERIM REPORT

FOR THE PERIOD ENDED
MARCH 31, 2017

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CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated April 19, 2017, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three month period ended March 31, 2017, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2016 (the "**Annual Financial Statements**"), together with the Management's Discussion and Analysis thereon (the "**2016 MD&A**"), and (ii) the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2017 (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 19, 2017.

ACCOUNTING PRINCIPLES

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

ADVISORY:

Forward-looking statements - *This MD&A reflects management's expectations regarding Mullen Group's future growth, financial condition, results of operations, performance, business prospects, strategies and opportunities and contains forward-looking statements and forward-looking information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Wherever possible, words such as "anticipate", "may", "will", "believe", "expect", "potential", "continue", "view", "objective", "should", "plan", "intend", "ongoing", "estimate", "project" or similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward-looking statements involve significant inherent risks and uncertainties, numerous assumptions and the risk that the predictions and forward-looking statements will not be achieved and that the actual results or events may differ materially from those anticipated in such forward-looking statements. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable beliefs and assumptions, Mullen Group cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks and uncertainties include, but are not limited to certain strategic, financial and operational risks, most important of which are reduced oil and natural gas drilling, decreased oil sands and heavy oil activity, a slowdown in the general economy, currency exchange rates, change in the return on fair value of investments, prevailing interest rates, regulatory framework governing taxes and environmental matters in the jurisdictions in which the Corporation conducts and will conduct its business, customer relationships, labour disruption and driver retention, accidents, cost of liability insurance, fuel prices, ability to access sufficient capital from internal and external sources and changes in legislation including but not limited to tax laws and environmental regulations. Given these risks and uncertainties, readers should not place undue reliance on the forward-looking statements contained in this MD&A. Readers are cautioned that the foregoing list of factors and risks is not exhaustive. Additional information on these and other factors and risks that could affect the operations or financial results of Mullen Group may be found under the heading "Principal Risks and Uncertainties" starting on page 59 of the 2016 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 40 of this MD&A.*

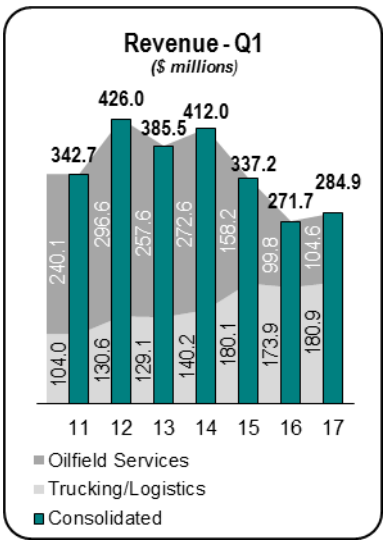
Non-GAAP and Additional GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its 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 ("**OIBDA**")[1], operating margin[1], operating income before depreciation and amortization – adjusted ("**OIBDA – adjusted**")[1], operating margin – adjusted[1], net income – adjusted[1], earnings per share – adjusted[1], net capital expenditures[1], net debt[1], total net debt[1] and cash flow per share[1] are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the reader's reference, the definition, calculation and reconciliation of Non-GAAP 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.*

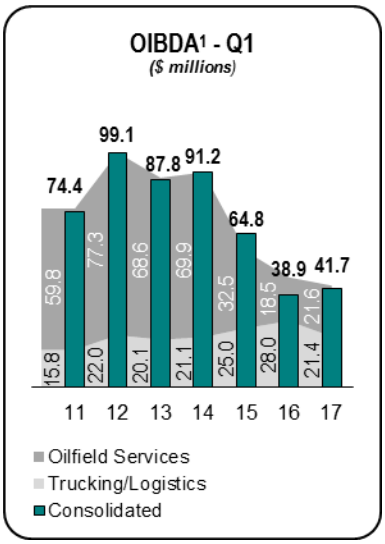
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

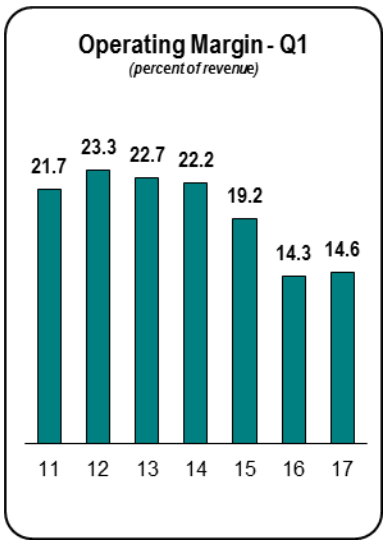
HIGHLIGHTS FOR THE QUARTER

PERFORMANCE:	Three month periods ended March 31		
(unaudited) *($ millions, except share price and per share amounts)*	2017	2016	% Change
Financial Results			
Revenue	**$ 284.9**	$ 271.7	4.9
Operating income before depreciation and amortization[(1)]	**41.7**	38.9	7.2
Operating income before depreciation and amortization – adjusted[(1)]	**42.7**	45.5	(6.2)
Net unrealized foreign exchange gain	**(2.3)**	(16.5)	(86.1)
Decrease in fair value of investments	**1.0**	0.1	900.0
Net income	**14.5**	21.4	(32.2)
Net income – adjusted[(1)]	**11.6**	5.4	114.8
Net cash from operating activities	**4.3**	34.5	(87.5)
Cash dividends declared to common shareholders	**9.3**	22.0	(57.7)
Financial Position			
Cash and cash equivalents	**$ 242.7**	$ 105.1	130.9
Long-term debt (includes the current portion thereof and the debt component of Debentures)	**691.4**	682.6	1.3
Total assets	**1,880.4**	1,752.5	7.3
Share Information			
Cash dividends declared per Common Share	**$ 0.09**	$ 0.24	(62.5)
Earnings per share – basic	**$ 0.14**	$ 0.23	(39.1)
Earnings per share – diluted	**$ 0.14**	$ 0.23	(39.1)
Earnings per share – adjusted[(1)]	**$ 0.11**	$ 0.06	83.3
Share price – March 31	**$ 16.90**	$ 14.39	17.4
Other Information			
Net capital expenditures[(1)]	**$ 1.8**	$ 3.8	(52.6)
Acquisitions	**$ 15.6**	$ —	100.0

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







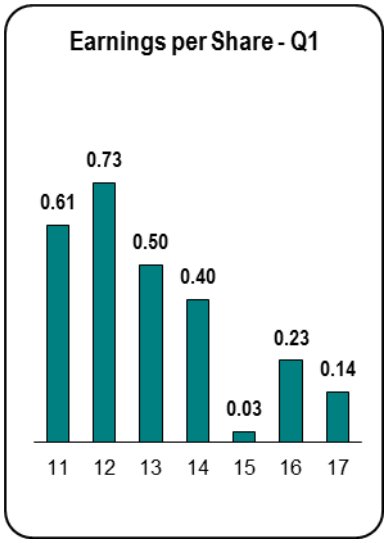
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

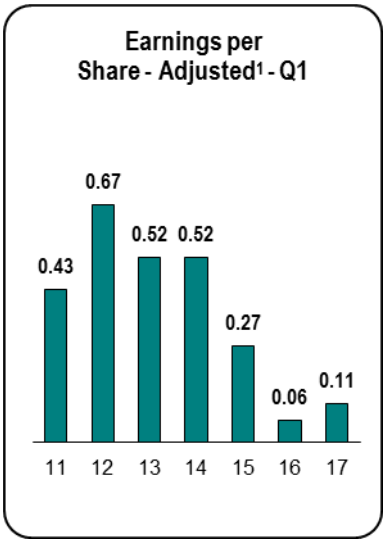
POSITION:

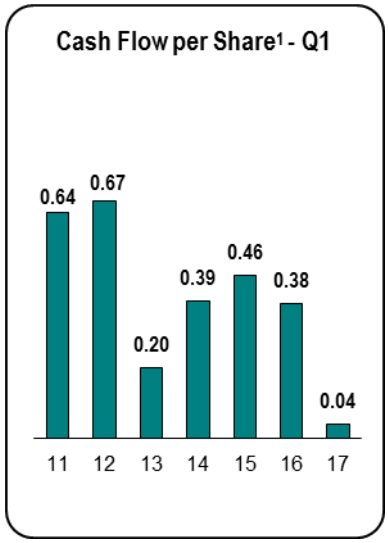
- Working capital: $245.2 million (includes $242.7 million of cash and cash equivalents and a current liability of $135.2 million related to the Series E and Series F Notes, which mature on September 27, 2017)
- Net debt[1]: $310.9 million (long-term debt plus the debt component of Debentures less working capital; excludes $31.1 million of derivative financial instruments that converts U.S. $229.0 million of debt into Canadian currency at an average exchange rate of $1.1096)
- Net debt[1] to trailing twelve months OIBDA[1]: 1.69:1
- Access to additional funding of $75.0 million from our undrawn Bank Credit Facility

PROGRESS:

- Revenue grew by 4.9 percent, the first quarter over quarter growth in three years
- Completed two acquisitions:
  - Closed the acquisition of Envolve Energy Services Corp., expanding our service offering within the Oilfield Services segment, providing a new growth platform in the processing and disposal of produced fluids
  - Closed the acquisition of Kel-West Carriers Ltd., a provider of transportation and logistics services primarily in western Canada
- Increased the 2017 capital budget by $25.0 million to $50.0 million to support the expected increase in oilfield services activity







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

EXECUTIVE SUMMARY

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial highlights for the three month period ending March 31, 2017 are as follows:

- generated consolidated revenue of $284.9 million, an increase of $13.2 million, or 4.9 percent, as compared to $271.7 million in 2016 due to:
    - a $7.0 million or 4.0 percent increase in the Trucking/Logistics segment
    - a $4.8 million or 4.8 percent increase in the Oilfield Services segment
- earned consolidated operating income before depreciation and amortization ("**OIBDA**[1]") of $41.7 million, an increase of $2.8 million as compared to $38.9 million in 2016 due to:
    - a $3.1 million increase in the Oilfield Services segment
    - a $6.6 million decrease in the Trucking/Logistics segment
    - a $6.3 million decrease in Corporate Office (as hereafter defined on page 7) costs due to a $5.6 million reduction in foreign exchange expense
- adjusting for the impact of foreign exchange at the Corporate Office, operating income before depreciation and amortization ("**OIBDA – adjusted**[1]") was $42.7 million, or 15.0 percent of revenue, as compared to $45.5 million, or 16.7 percent of revenue in 2016.
- closed the acquisitions of Envolve Energy Services Corp. ("**Envolve**") and Kel-West Carriers Ltd. ("**Kel-West**")

First Quarter Financial Results

For the three month period ended March 31, 2017, revenue increased by $13.2 million, or 4.9 percent, to $284.9 million as compared to $271.7 million in 2016. This was attributable to a $7.0 million increase in revenue in the Trucking/Logistics segment and a $4.8 million increase in the Oilfield Services segment. The increase in the Trucking/Logistics segment was mainly due to the incremental revenue related to our recent acquisitions. Revenue also increased due to greater demand for freight services in western Canada along with a $4.3 million increase in fuel surcharge revenue. These increases were offset by the completion of several major capital projects such as the Suncor Fort Hills oil sands project that have not been replaced. The increase in the Oilfield Services segment was attributable to improved drilling activity which benefited those Business Units (as hereafter defined on page 7) most directly tied to oil and natural gas drilling activity, from greater demand for pumps and related dewatering services and from the incremental revenue generated by Envolve. These increases were partially offset by a decline in demand for pipeline hauling and stringing services associated with fewer pipeline construction projects, due to the timing and regulatory hurdles of various projects and from lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells.

OIBDA[1] for the first quarter was $41.7 million, an increase of $2.8 million or 7.2 percent as compared to $38.9 million in 2016. This was attributable to a $3.1 million increase in the Oilfield Services segment and a $6.3 million reduction in Corporate Office costs being somewhat offset by a $6.6 million decrease in the Trucking/Logistics segment. The Oilfield Services segment generated OIBDA[1] of $21.6 million, an increase of $3.1 million from the $18.5 million in 2016 due to improved drilling activity, the continued implementation of cost control measures and from the strong performance of Canadian Dewatering L.P. ("**Canadian Dewatering**"). These improvements were somewhat offset by reduced profitability related to pipeline hauling and stringing services, due to the timing of certain projects. The Trucking/Logistics segment generated OIBDA[1] of $21.4 million, a decrease of $6.6 million from the $28.0 million in 2016. This decrease was mainly attributable to the completion of some major capital projects that have not been replaced directly impacting the performance of the Kleysen Group Ltd. ("**Kleysen Group**"). As a percentage of segment revenue, operating margin[1] in the Oilfield Services segment increased to 20.6 percent from 18.5 percent in 2016. Operating margin[1] in the Trucking/Logistics segment decreased to 11.8 percent as compared to

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

16.1 percent in 2016. Adjusting for Corporate Office costs related to the impact of foreign exchange losses on U.S. dollar cash held, OIBDA – adjusted[1] was $42.7 million, a decrease of $2.8 million or 6.2 percent as compared to $45.5 million in 2016. Stated as a percentage of consolidated revenue, operating margin – adjusted[1] decreased to 15.0 percent as compared to 16.7 percent in 2016.

In the first quarter of 2017, we recorded net income of $14.5 million or $0.14 per share, a decrease of $6.9 million, or 32.2 percent, compared to net income of $21.4 million or $0.23 per share in 2016. The $6.9 million decrease was primarily due to the $14.2 million negative variance in unrealized foreign exchange. This decrease was partially offset by the $2.8 million increase in OIBDA[1], a $2.2 million decrease in amortization of intangibles, a $1.9 million decrease in finance costs and a $1.7 million decrease in depreciation of property, plant and equipment.

After two years of reporting declining revenues we are finally starting to experience some growth. The $285.0 million generated in the first quarter of 2017 remains well below prior peak levels but the results are 4.9 percent above last year, representing that some early stage stability is returning to the battered oil and natural gas service industry as well as reinforcing our acquisition strategy. We remain of the view that the markets we serve are fragile and that a period of adjustment is still required before our financial performance improves in a more meaningful way but there is a sense of optimism returning to the oil and natural gas industry, which we fully expect will benefit our organization in the second half of the year. In terms of the overall Canadian economy the story is very similar. Freight demand is starting to increase, which will ultimately lead to improved pricing later this year. In the meantime, however, the trucking and logistics sector of the economy remains very competitive.

Financial Position

At March 31, 2017, we had $245.2 million (December 31, 2016 - $243.1 million) of working capital that included $242.7 million (December 31, 2016 – $270.3 million) of cash and cash equivalents, of which $82.8 million (December 31, 2016 - $81.0 million) was denominated in U.S. currency. Included within non-cash working capital items is $135.2 million of current portion of long-term debt which mainly relates to the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes, which mature on September 27, 2017. At March 31, 2017, net debt[1] was $310.9 million (December 31, 2016 – $316.3 million) and we had access to additional funding of $75.0 million from our undrawn Bank Credit Facility (as hereafter defined on page 32). The Corporation's long-term debt consists mainly of its Private Placement Debt (as hereafter defined on page 15) (which includes the Series E and Series F Notes) of U.S. $314.0 million and Canadian $261.0 million. The weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt is 4.43 percent and 4.58 percent, respectively. The majority of this debt matures on October 22, 2024 and October 22, 2026. In July 2014, we 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, 2017, the carrying value of these Cross-Currency Swaps (as hereafter define on page 16) was $31.1 million and was recorded within derivative financial instruments ("**Derivatives**") on the consolidated statement of financial position. The net book value of property, plant and equipment was $945.2 million, the majority of which consists of $462.9 million of real property (carrying cost of $517.7 million) and $387.2 million (carrying cost of $754.4 million) of trucks and trailers.

One of our stated strategic initiatives for 2017 centered on growth through acquisitions. In this latest quarter we closed two transactions, the most notable being the acquisition of Envolve, opening up a new growth platform for Mullen Group. For the balance of the year we will continue to identify new opportunities that we can benefit from for many years. In addition, we are announcing an increase of $25.0 million to our 2017 capital expenditure budget in anticipation of a recovery in the energy sector. This is exactly why we took the necessary steps to strengthen our balance sheet in 2016. We are uniquely positioned to proactively pursue opportunities.

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

OUTLOOK

Our results for the current quarter were, in general terms, consistent with our expectations and with prior correspondence to shareholders. We anticipated the challenging market conditions, lack of pricing power and slowing activity related to major capital projects would limit growth and profitability in the early part of the year.

In the quarter the economy continued on a slow growth path, however freight demand remained below levels required to achieve any pricing leverage negatively impacting our Trucking/Logistics segment. The oil and natural gas industry responded to the improved commodity price environment with increased drilling activity, particularly in northwestern Alberta, providing some much needed demand for our Business Units leveraged to drilling. Pricing levels were marginally higher than last year, however cost pressures emerged in the quarter negating most of the pricing increases. As expected the demand for specialized trucking and transload services related to major capital projects like the oil sands was down sharply as these projects neared completion. This, along with reduced pipeline construction related activity, were negative factors affecting our first quarter results. These factors were somewhat offset by acquisitions.

Our overall outlook has not changed materially and we consider 2017 as a transition year. The long awaited recovery in the price of crude oil and natural gas is supportive of an increase in drilling activity, particularly in quality resource basins such as northwestern Alberta, the major demand driver of our Business Units leveraged to drilling in western Canada. However, we believe that commodity prices will need to move higher for drilling activity to increase from first quarter 2017 levels. We continue to monitor industry activity levels and will respond with additional capacity provided we can do so profitably. Capital investment in long life projects like the oil sands remain on indefinite hold, which will continue to be a negative drag on the Canadian economy and our results for the balance of the year, especially our Premay Equipment L.P. and Kleysen Group. We are optimistic that west coast LNG projects, which will connect natural gas produced in Canada with consumers overseas, will begin to materialize as the approvals are processed and support grows. In addition, various large diameter pipelines are awaiting final approvals. Capital projects such as these require significant capital investment and would benefit our business when sanctioned.

In terms of the overall economy we remain of the view that economic output remains below capacity and the levels required to materially improve the demand/supply fundamentals for the trucking and logistics sector of the Canadian economy. We continue to be of the view that current competing market conditions impacting our Trucking/Logistics segment will prevail until later this year.

While we are optimistic that the basic market fundamentals will continue to improve as the year progresses, we know that acquisitions will be key to our short-term growth initiatives and longer term performance. Over the course of the last year we have used our strong balance sheet strength to complete six transactions including our recently announced acquisition of Envolve, a full service well disposal facility located in the heart of the active Montney resource play near Grande Prairie, Alberta. This is a business we are familiar with and have every intention of allocating additional capital to support the growth plans of this new Business Unit. We also announced an increase in our capital expenditure program for 2017 ensuring that our Oilfield Services segment's Business Units are well positioned to capitalize on profitable opportunities. In addition, we will continue to use our balance sheet to acquire competing and complementary businesses in both segments of the economy – trucking and logistics and the oil and natural gas sectors – in anticipation of improved market fundamentals.

CORPORATE OVERVIEW

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

Business

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

At March 31, 2017, the Trucking/Logistics segment consisted of 13 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
Caneda Transport Inc.[1]	LTL & Irregular Route Truckload - Canada/U.S.
Cascade Carriers L.P.	Dry Bulk Freight
Courtesy Freight Systems Ltd.	Regional Scheduled LTL - Northern Ontario
Gardewine Group Limited Partnership	Regional Scheduled LTL - Manitoba and Ontario & Specialized Transportation
Grimshaw Trucking L.P.	Regional Scheduled LTL - Northern Alberta
Hi-Way 9 Group of Companies[2]	Regional Scheduled LTL - Southern Alberta
Jay's Transportation Group Ltd.	Regional Scheduled LTL - Saskatchewan
Kleysen Group Ltd.	Irregular Route Truckload & Multi-Modal
Mullen Trucking Corp.[3]	Irregular Route Truckload & Specialized Transportation
Payne Transportation Ltd.[4]	Irregular Route Truckload & Specialized Transportation
Smook Contractors Ltd.	Civil Construction
Tenold Transportation Ltd.	Irregular Route Truckload

[1] Acquired October 1, 2016
[2] Includes E.C.R. Enterprises Ltd., which was acquired on December 1, 2016
[3] Includes Motrux Inc., which was acquired on September 1, 2016
[4] Includes Kel-West Carriers Ltd., which was acquired on January 31, 2017

Internal Reorganization – Trucking/Logistics Segment

On December 31, 2016, we commenced the dissolution of four of our limited partnerships, namely; Mullen Trucking L.P., Kleysen Group L.P., Payne Transportation L.P., and Tenold Transportation Limited Partnership whose operations were contributed into Mullen Trucking Corp. ("**Mullen Trucking**"), Kleysen Group Ltd., Payne Transportation Ltd. ("**Payne Transportation**") and Tenold Transportation Ltd., respectively.

At March 31, 2017, our Oilfield Services segment consisted of 16 Business Units that utilize their highly trained personnel and equipment to provide well-servicing, specialized transportation, dewatering, and drilling services to the oil and natural gas industry. These services include transporting of oversize and overweight shipments, the transportation, handling, storage and computerized inventory management of oilfield fluids, tubulars and drilling mud, stockpiling and stringing of large diameter pipe, a broad range of services related to the processing and production of heavy oil including well servicing and handling, transportation of fluids, the processing and disposal of oilfield waste, as well as frac support, dredging, water management, dewatering, pond reclamation services, hydrovac excavation, drilling rig relocation, core drilling, casing setting and conductor pipe setting services.

Oilfield Services Segment:

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

[1] *Includes the business and assets of Northern Frontier Logistics LP, which was acquired on September 28, 2016*
[2] *Acquired March 17, 2017*

A more detailed description of the Business Units is set forth in the Annual Information Form, which is dated February 8, 2017 and is available on SEDAR at www.sedar.com, our website at www.mullen-group.com or upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com.

Capital Allocations

Dividends

On December 14, 2016, we announced our intention to continue our practice of paying annual dividends of $0.36 per Common Share ($0.03 per Common Share on a monthly basis) for 2017. The Board will continue to consider the amount of the monthly dividend.

For the three month period ending March 31, 2017, we declared monthly dividends totalling $0.09 per Common Share (2016 – $0.24 per Common Share). At March 31, 2017, we had 103,654,316 Common Shares outstanding and a dividend payable of $3.1 million (December 31, 2016 – $3.1 million), which was paid on April 17, 2017. We also declared a dividend of $0.03 per Common Share on April 18, 2017, to the holders of record at the close of business on April 30, 2017.

Acquisitions

2017

Kel-West Carriers Ltd. – On January 31, 2017, Mullen Group acquired all of the issued and outstanding shares of Kel-West for cash consideration of $3.7 million. We recorded $3.7 million of cash used to acquire Kel-West on our condensed consolidated statement of cash flows. Kel-West is headquartered in Kelowna, British Columbia and provides transportation and logistics services primarily in western Canada. We acquired Kel-West as part of our strategy to invest in the transportation sector in western Canada. Kel-West has been integrated into the operations of Payne Transportation, whose financial results are included in the Trucking/Logistics segment.

Envolve Energy Services Corp. – On April 10, 2015, Mullen Group acquired approximately 38.0 percent of the issued and outstanding shares of Envolve for $5.0 million. We used the equity method to account for this investment and recognized $1.1 million of earnings from April 10, 2015 until March 17, 2017. On March 17, 2017, we acquired all of the remaining issued and outstanding shares of Envolve for cash consideration of $12.6 million. We recorded $11.9 million of cash used to acquire Envolve in our condensed consolidated statement of cash flows, which consists of $12.6 million of cash consideration paid on closing net of $0.7 million of cash acquired. The fair value of Envolve was $20.3 million on the date control was obtained resulting in a $1.5 million gain on this equity investment being recognized within other (income) expense on the condensed consolidated statement of comprehensive income. Envolve is an oilfield fluid processing and disposal company operating in the Grande Prairie, Alberta region. We acquired Envolve as part of our strategy to invest in the energy sector. The results from Envolve's operations are included in the Oilfield Services segment.

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

2016

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

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

Caneda Transport Inc. – On October 1, 2016, Mullen Group acquired all of the issued and outstanding shares of Caneda Transport Inc. and affiliated companies (collectively, "**Caneda**") for total cash consideration of $22.5 million, which includes the Calgary, Alberta facility operated by Caneda and $2.0 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor may receive cash consideration of up to $2.0 million for achieving certain financial targets for the twelve month period ending September 30, 2017. We have estimated the fair value of this contingent consideration to be $2.0 million which was based on management's best estimate of Caneda's pro forma operating results. The funds to settle this liability have been set aside in an escrow account, which have been presented within cash and cash equivalents. We recorded $19.2 million of cash used to acquire Caneda on our consolidated statement of cash flows, which consists of $22.5 million of total cash consideration net of $3.3 million of cash acquired. Caneda is headquartered in Calgary, Alberta and primarily provides LTL services with terminals in Calgary, Alberta; Mississauga, Ontario; and Mira Loma, California. We acquired Caneda as part of our strategy to invest in the transportation sector in North America. The financial results from Caneda's operations are included in the Trucking/Logistics segment.

E.C.R. Enterprises Ltd. – On December 1, 2016, Mullen Group acquired all of the issued and outstanding shares of E.C.R. Enterprises Ltd. ("**E.C.R**.") for total cash consideration of $4.5 million, which includes the repayment of shareholder loans. We recorded $1.8 million of cash used to acquire E.C.R. on our consolidated statement of cash flows, which consists of $4.5 million of total cash consideration net of $2.7 million allocated to the repayment of shareholder loans. E.C.R. was headquartered in Creston, British Columbia and provides transportation services mainly in western Canada. We acquired E.C.R. as part of our strategy to invest in the transportation sector in Canada. E.C.R. was integrated into the operations of the Hi-Way 9 Group of Companies ("**Hi-Way 9**"), whose financial results are included in the Trucking/Logistics segment.

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.

Capital Expenditures

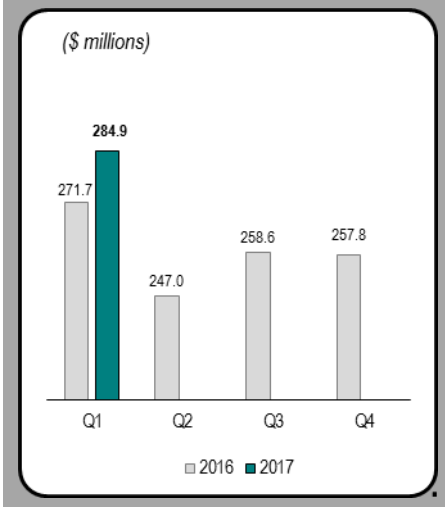
On December 14, 2016, the Board approved a $25.0 million capital budget for 2017, exclusive of corporate acquisitions, real property and special projects. This capital will be focused towards the replacement of trucks, trailers and specialized equipment to support the operations of the Business Units in the Trucking/Logistics segment. On April 19, 2017, the Board increased the 2017 capital budget to $50.0 million. The additional $25.0 million of new capital will be allocated to support growth opportunities and the operations of the Business Units in the Oilfield Services segment.

In the first three months of 2017, gross capital expenditures on a consolidated basis were $4.2 million as compared to $4.4 million in 2016. These capital expenditures were comprised of $4.6 million in the Trucking/Logistics segment (2016 – $3.8 million), $0.8 million in the Oilfield Services segment (2016 – $0.5 million) and nil in the Corporate Office (2016 – $0.1 million). Gross dispositions on a consolidated basis were $2.4 million in 2017 as compared to $0.6 million in 2016. These gross dispositions were comprised of $0.6 million in the Trucking/Logistics segment (2016 – $0.2 million), $2.4 million in the Oilfield Services segment (2016 – $0.4 million) and $0.6 million in the Corporate Office (2016 – nil).

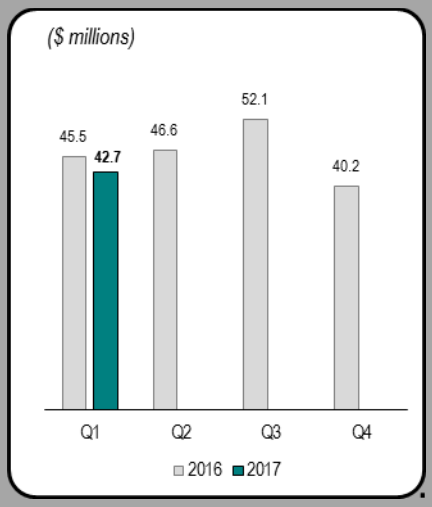
CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED MARCH 31, 2017

Summary – Trailing Five Quarters

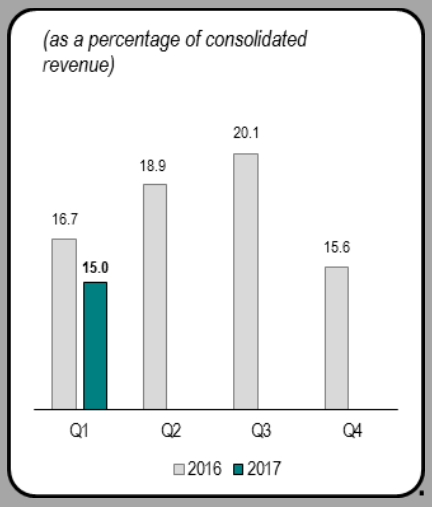
Consolidated Revenue



OIBDA – Adjusted[1]



Operating Margin – Adjusted[1]



Consolidated financial results for the first quarter of 2017 were generally in line with the same quarter last year. There were a number of factors that influenced these results, the most notable being:

- the completion of a series of six acquisitions that began in the fall of 2016, including Kel-West and Envolve during the current quarter; and
- improved drilling activity in the Western Canada Sedimentary Basin ("**WCSB**") that resulted in increased demand for oilfield services along with an increase in demand for trucking services in western Canada.

These positive factors were offset by:

- intense competitive pressures across virtually all service lines;
- the completion of several major capital projects in western Canada, such as the Suncor Fort Hills oil sands project, resulting in reduced demand for transload, storage and trucking services; and
- a reduction in pipeline construction activity, due to timing and regulatory issues, resulting in reduced demand for pipeline hauling and stringing services.

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

Revenue

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

Q1 Consolidated Revenue by Segment *(unaudited)* *($ millions)*	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**180.9**	**63.4**	173.9	63.5	7.0	4.0
Oilfield Services	**104.6**	**36.6**	99.8	36.5	4.8	4.8
Corporate and intersegment eliminations	**(0.6)**	—	(2.0)	—	1.4	—
Total	**284.9**	**100.0**	271.7	100.0	13.2	4.9

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the first quarter increased by $13.2 million, or 4.9 percent, to $284.9 million. This compares favourably to the decrease of $65.5 million, or 19.4 percent to $271.7 million in 2016. For those Business Units owned for more than one year, revenue was similar to last year with the Oilfield Services segment up by $4.1 million and the Trucking/Logistics segment down by $3.2 million. Acquisitions added $10.9 million of incremental revenue during the quarter; $10.2 million in the Trucking/Logistics segment and $0.7 million in the Oilfield Services segment.

Q1 Consolidated Revenue *(unaudited)* *($ millions)*	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**195.6**	**68.7**	189.9	69.9	5.7	3.0
Contractors	**87.6**	**30.7**	80.7	29.7	6.9	8.6
Other	**1.7**	**0.6**	1.1	0.4	0.6	54.5
Total	**284.9**	**100.0**	271.7	100.0	13.2	4.9

Revenue generated by Company Equipment increased by $5.7 million, or 3.0 percent, to $195.6 million as compared to $189.9 million in 2016 representing 68.7 percent of consolidated revenue in the current period as compared to 69.9 percent in 2016. Revenue related to Contractors increased by $6.9 million, or 8.6 percent, to $87.6 million as compared to $80.7 million in 2016 representing 30.7 percent of consolidated revenue in the current period as compared to 29.7 percent in 2016.

Direct Operating Expenses

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

Q1 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**52.8**	**27.0**	51.8	27.3	1.0	1.9
Fuel	**20.4**	**10.4**	14.6	7.7	5.8	39.7
Repairs and maintenance	**25.7**	**13.1**	24.4	12.8	1.3	5.3
Purchased transportation	**19.4**	**9.9**	17.0	9.0	2.4	14.1
Operating supplies	**16.4**	**8.4**	14.5	7.6	1.9	13.1
Other	**6.2**	**3.2**	6.5	3.4	(0.3)	(4.6)
	140.9	**72.0**	128.8	67.8	12.1	9.4
Contractors	**65.4**	**74.7**	59.0	73.1	6.4	10.8
Total	**206.3**	**72.4**	187.8	69.1	18.5	9.9

**as a percentage of respective Consolidated revenue*

DOE were $206.3 million in the first quarter as compared to $187.8 million in 2016. This increase of $18.5 million, or 9.9 percent, was directly related to the $13.2 million increase in consolidated revenue and to a lesser degree rising costs. As a percentage of revenue these expenses increased by 3.3 percent to 72.4 percent as compared to 69.1 percent in 2016 due to a change in revenue mix, lower margin business associated with acquisitions and inflationary pressures in both segments.

DOE associated with Company Equipment increased to $140.9 million as compared to $128.8 million in 2016. This increase of $12.1 million, or 9.4 percent, was attributable to the $5.7 million increase in Company revenue and rising costs, the most notable being fuel expense, which rose to 10.4 percent of revenue as compared to 7.7 percent last year, primarily due to rising diesel costs. As a percentage of Company revenue these expenses increased by 4.2 percent to 72.0 percent as compared to 67.8 percent in 2016.

Contractors expense in the first quarter increased to $65.4 million as compared to $59.0 million in 2016. This $6.4 million increase was directly related to the increase in consolidated revenue. As a percentage of Contractors revenue, Contractors expense increased by 1.6 percent to 74.7 percent as compared to 73.1 percent in 2016, primarily associated with Contractors expense in the Trucking/Logistics segment.

Selling and Administrative Expenses

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

Q1 Consolidated Selling and Administrative Expenses						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**20.1**	**7.1**	21.7	8.0	(1.6)	(7.4)
Communications, utilities and general supplies	**10.4**	**3.7**	10.1	3.7	0.3	3.0
Profit share	**2.6**	**0.9**	3.3	1.2	(0.7)	(21.2)
Foreign exchange	**1.0**	**0.4**	7.0	2.6	(6.0)	(85.7)
Stock-based compensation	**0.2**	**0.1**	0.3	0.1	(0.1)	(33.3)
Rent and other	**2.6**	**0.8**	2.6	1.0	—	—
Total	**36.9**	**13.0**	45.0	16.6	(8.1)	(18.0)

**as a percentage of total Consolidated revenue*

S&A expenses for the period declined to $36.9 million as compared to $45.0 million in 2016, representing a swing of $8.1 million year over year. The majority of the decrease, specifically $6.0 million, was related to a decrease in foreign exchange expense, which relates to a year over year change in the Canadian dollar relative to the U.S. dollar. In addition, excluding the effect of S&A expenses related to the acquisitions, there was a $2.2 million reduction in wages and benefits. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $35.9 million, or 12.6 percent of revenue, as compared to $38.4 million, or 14.1 percent in 2016, a 1.5 percent reduction primarily due to aggressive cost cutting initiatives implemented in 2016.

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)	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**21.4**	**51.3**	28.0	72.0	(6.6)	(23.6)
Oilfield Services	**21.6**	**51.8**	18.5	47.5	3.1	16.8
Corporate	**(1.3)**	**(3.1)**	(7.6)	(19.5)	6.3	(82.9)
Total	**41.7**	**100.0**	38.9	100.0	2.8	7.2

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

OIBDA[1] for the period was $41.7 million, or 14.6 percent of revenue, as compared to $38.9 million, or 14.3 percent, in 2016. The $2.8 million improvement represents an increase of 7.2 percent year over year and was primarily due to the $5.6 million decrease in foreign exchange expense within the Corporate Office related to the change in the value of the Canadian dollar vis-à-vis the U.S. dollar.

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

Q1 Consolidated Operating Income Before Depreciation and Amortization – Adjusted[1]						
(unaudited) *($ millions)*	2017		2016		Change	
	$	%	$	%	$	%
OIBDA[1]	**41.7**	**14.6**	38.9	14.3	2.8	7.2
Foreign exchange within the Corporate Office	**1.0**	**0.4**	6.6	2.4	(5.6)	(84.8)
OIBDA – adjusted[1]	**42.7**	**15.0**	45.5	16.7	(2.8)	(6.2)

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

Adjusting for changes in foreign exchange within the Corporate Office, OIBDA – adjusted[1] was $42.7 million as compared to $45.5 million in 2016, a decline of $2.8 million, or 6.2 percent due to the $6.6 million reduction in the Trucking/Logistics segment being partially offset by the $3.1 million improvement within the Oilfield Services segment. In terms of percentage of consolidated revenue, operating margin – adjusted[1] declined to 15.0 percent as compared to 16.7 percent in 2016 primarily due to the decline in margin in the Trucking/Logistics segment as a result of a change in revenue mix due to the completion of several major capital projects and the competitive pricing environment.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $16.1 million in the first quarter as compared to $17.8 million in 2016. This decrease of $1.7 million was mainly attributable to a lower amount of depreciation being recorded in the Oilfield Services segment, while depreciation in the Trucking/Logistics segment and the Corporate Office remained consistent on a year over year basis. Depreciation in the Oilfield Services segment decreased by $1.7 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Trucking/Logistics segment remained consistent on a year over year basis due to a lower amount of capital expenditures made within this segment being offset by the additional depreciation expense resulting from the recent acquisitions.

Amortization of Intangible Assets

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

Finance Costs

Finance costs mainly consist of:

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

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

- borrowings on the Bank Credit Facility (as hereafter defined on page 32); and
- accretion expense on debt;
- less any interest income generated from cash and cash equivalents.

Finance costs were $7.6 million in the first quarter as compared to $9.5 million in 2016. This decrease of $1.9 million was mainly attributable to the March 30, 2016 repayment of the Series C Notes ($70.0 million bearing interest at 5.60 percent per annum). In the first quarter of 2016, we also recorded $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 of 2016, we reduced our overall finance costs by $0.2 million due to certain prepayment credits received from the noteholders. Finance costs also decreased due to a greater amount of interest income being generated from cash and cash equivalents.

Net Unrealized Foreign Exchange Gain

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

Net unrealized foreign exchange gain was $2.3 million in the first quarter of 2017 as compared to a net unrealized foreign exchange gain of $16.5 million in 2016. The decrease of $14.2 million was mainly attributable to the smaller year over year change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net unrealized foreign exchange gain were as follows:

Net Unrealized Foreign Exchange Gain	**Three month periods ended March 31**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2017**	**2016**
Unrealized foreign exchange gain on U.S. $ debt	**(4.0)**	(26.8)
Unrealized foreign exchange loss on Cross-Currency Swaps	**1.7**	10.3
Net unrealized foreign exchange gain	**(2.3)**	(16.5)

Unrealized Foreign Exchange Gain on U.S. $ Debt

We recorded an unrealized foreign exchange gain of $4.0 million related to our U.S. dollar debt due to the $0.01 strengthening of the Canadian dollar relative to the U.S. dollar during the first quarter of 2017. For the same period in 2016, we recorded an unrealized foreign exchange gain of $26.8 million due to the $0.09 strengthening of the Canadian dollar relative to the U.S. dollar. The details of the unrealized foreign exchange gain on U.S. dollar debt is summarized in the table below:

Unrealized Foreign Exchange Gain on U.S. $ Debt	**Three month periods ended March 31**					
	2017			**2016**		
(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**	**1.3299**	**417.6**	314.0	1.2987	407.8
Beginning – January 1	**314.0**	**1.3427**	**421.6**	314.0	1.3840	434.6
Unrealized foreign exchange gain on U.S. $ debt			**(4.0)**			(26.8)

Unrealized Foreign Exchange Loss on Cross-Currency Swaps

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

For the three month period ended March 31, 2017, Mullen Group recorded an unrealized foreign exchange loss on Cross-Currency Swaps of $1.7 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 on Cross-Currency Swaps	**Three month periods ended March 31**			
	2017		**2016**	
(unaudited) ***($ millions)***	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**	**U.S. $ Swaps**	**CDN. $ Change in Fair Value of Swaps**
Cross-Currency Swap maturing October 22, 2024	**117.0**	**0.9**	**117.0**	5.5
Cross-Currency Swap maturing October 22, 2026	**112.0**	**0.8**	**112.0**	4.8
Unrealized foreign exchange loss on Cross-Currency Swaps		**1.7**		10.3

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, earnings from equity investments and the gain on fair value of equity investment. Other income in the first quarter was $0.9 million, a $0.5 million positive variance as compared to the $0.4 million of other income recorded in 2016. The $0.5 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $0.9 million). We periodically invest in certain public corporations. We recorded a decrease in the fair value of investments of $1.0 million in the first quarter as compared to a $0.1 million decrease in 2016. There were no investments purchased or sold in either the first quarter of 2017 or 2016.

Loss on Sale of Property, Plant and Equipment (negative variance of $0.1 million). We recognized a loss of $0.1 million on sale of property, plant and equipment on total consolidated proceeds on sale of $2.4 million in the first quarter as compared to a nominal gain on sale of property, plant and equipment on total consolidated proceeds on sale of $0.6 million in 2016. The $0.1 million loss on sale of property, plant and equipment in 2017 mainly resulted from the sale of older assets by certain Business Units within the Oilfield Services segment.

Earnings from Equity Investments (no variance). We recognized $0.5 million of earnings from equity investments in the first quarter of 2017 and 2016. We use the equity method to account for investments in which we obtain significant influence or joint control over the investee and we recognize earnings from these equity investments from the date thereof. The following table details our equity investments and the date from which we commenced recording earnings from them.

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

Gain on Fair Value of Equity Investment (positive variance of $1.5 million). We acquired control of Envolve through a series of transactions. On April 10, 2015, we acquired approximately 38.0 percent of the issued and outstanding shares of Envolve for $5.0 million and then recognized $1.1 million of earnings from this equity investment until March 17, 2017, the date we obtained control. We acquired all of the remaining issued and outstanding shares of Envolve for cash consideration of $12.6 million. The fair value of Envolve was $20.3 million on the date control was obtained resulting in a $1.5 million gain on this equity investment.

Income Taxes

(unaudited) *($ millions)*	Three month periods ended March 31			
		2017		**2016**
Income before income taxes	**$**	**18.7**	$	23.8
Combined statutory tax rate		**27%**		27%
Expected income tax		**5.0**		6.4
Add (deduct):				
Non-deductible (taxable) portion of net unrealized foreign exchange gain		**(0.4)**		(2.2)
Non-deductible (taxable) portion of the change in fair value of investments		**(0.1)**		—
Stock-based compensation expense		**0.1**		0.1
Other		**(0.4)**		(1.9)
Income tax expense	**$**	**4.2**	$	2.4

Income tax expense was $4.2 million in the first quarter of 2017 as compared to $2.4 million in 2016. The increase of $1.8 million was mainly attributable to the variance in net unrealized foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended March 31				
		2017		**2016**	**% Change**
Net income	**$**	**14.5**	$	21.4	(32.2)
Weighted average number of Common Shares outstanding		**103,654,316**		91,661,066	13.1
Earnings per share – basic	**$**	**0.14**	$	0.23	(39.1)

Net income decreased to $14.5 million in the first quarter as compared to $21.4 million in 2016. The factors contributing to the decrease in net income include:

- a $14.2 million negative variance in net unrealized foreign exchange;
- a $1.8 million increase in income tax expense;
- a $0.9 million negative variance in the fair value of investments; and
- a $0.1 million increase in the loss on sale of property, plant and equipment.

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

- a $2.8 million increase in OIBDA[1];
- a $2.2 million decrease in amortization of intangible assets;

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

- a $1.9 million decrease in finance costs;
- a $1.7 million decrease in depreciation of property, plant and equipment; and
- a $1.5 million gain on fair value of equity investment.

Basic earnings per share decreased to $0.14 in 2017 as compared to $0.23 in 2016. This decrease resulted from the effect of the $6.9 million decrease in net income and the increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 91,661,066 to 103,654,316, which was due to the issuance of Common Shares from the May 17, 2016 bought deal public offering and the non-brokered private placement.

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended March 31**	
	2017	**2016**
Income before income taxes	**$ 18.7**	$ 23.8
Add (deduct):		
Net unrealized foreign exchange gain	**(2.3)**	(16.5)
Change in fair value of investments	**1.0**	0.1
Gain on fair value of equity investment	**(1.5)**	—
Income before income taxes – adjusted	**15.9**	7.4
Income tax rate	**27%**	27%
Computed expected income tax expense	**(4.3)**	(2.0)
Net income – adjusted[(1)]	**11.6**	5.4
Weighted average number of Common Shares outstanding – basic	**103,654,316**	91,661,066
Earnings per share – adjusted[(1)]	**$ 0.11**	$ 0.06

[(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, 2017

Three month period ended March 31, 2017 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Revenue	**180.9**	**104.6**	**(0.6)**	**284.9**
Direct operating expenses	**137.4**	**70.8**	**(1.9)**	**206.3**
Selling and administrative expenses	**22.1**	**12.2**	**2.6**	**36.9**
Operating income before depreciation and amortization[1]	**21.4**	**21.6**	**(1.3)**	**41.7**

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

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

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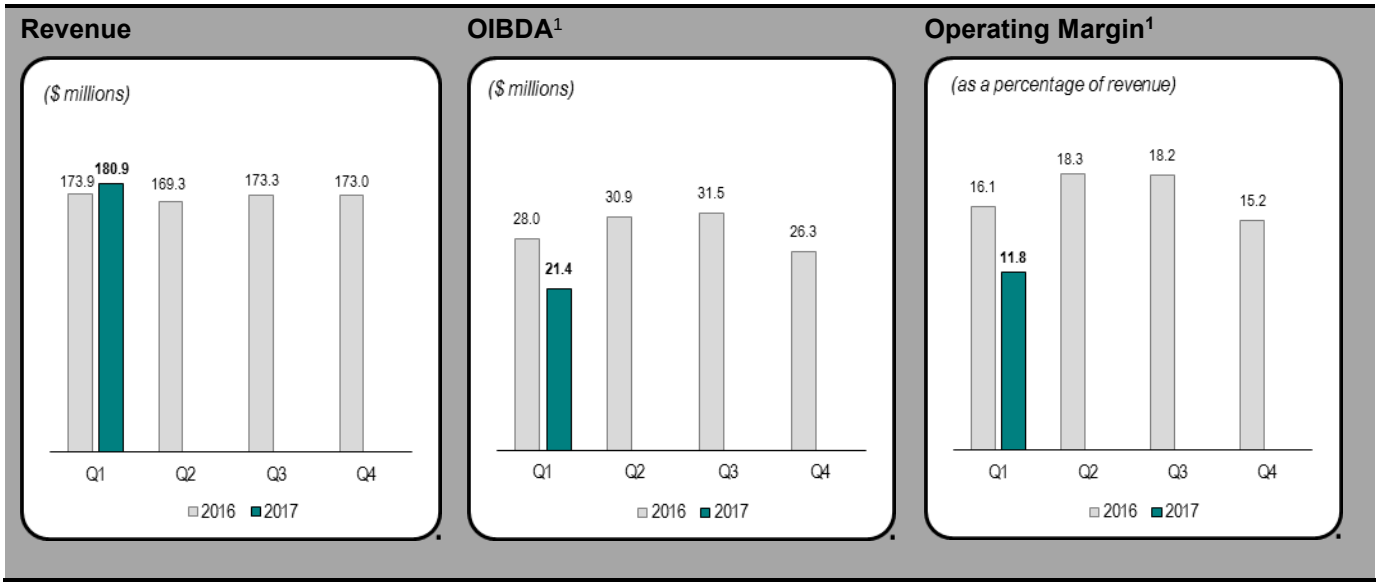
TRUCKING/LOGISTICS SEGMENT

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, 2017, the Trucking/Logistics segment was comprised of 13 Business Units that utilize both Company Equipment and Contractors.

Service Offerings	*Key Drivers and Considerations*
• *Long-Haul Trucking (T/L)*	• *Tied to general economy (i.e., GDP)*
• *Less-Than-Truckload Trucking (LTL)*	• *Regional network comprised of 87 terminals*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk Hauling*	• *Primarily contract services*

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 expanded by 0.6 percent in January after experiencing annualized growth of 2.6 percent in the fourth quarter of 2016. Investment in the energy sector now appears to be stabilizing after a painful adjustment to the decline in oil and other commodity prices that began in 2014. As a result, the general economy in western Canada is recovering. The economy in the rest of Canada also appears to be expanding, albeit at a modest pace with ongoing weakness in capital investment. It is estimated that the U.S. economy expanded by 1.2 percent in the first quarter, after expanding by 1.9 percent in the fourth quarter of 2016.

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

Revenue

Q1 Revenue – Trucking/Logistics *(unaudited)* *($ millions)*	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**117.9**	**65.2**	117.7	67.7	0.2	0.2
Contractors	**62.8**	**34.7**	55.9	32.1	6.9	12.3
Other	**0.2**	**0.1**	0.3	0.2	(0.1)	(33.3)
Total	**180.9**	**100.0**	173.9	100.0	7.0	4.0

The Trucking/Logistics segment generated 63.4 percent of pre-consolidated revenue for the first quarter as compared to 63.5 percent in 2016. Revenue increased by $7.0 million, or 4.0 percent, to $180.9 million as compared to $173.9 million in 2016 due to the incremental revenue related to our recent acquisitions and an increase in demand for freight services in western Canada being offset by the completion of several major capital projects. Fuel surcharge revenue rose by $4.3 million to $15.2 million. Some of the specific factors that impacted revenue in the first quarter were the following:

- The regional LTL business improved by 10.3 percent during the quarter and benefitted from market share gains and the modest recovery in the Alberta economy, which is highly correlated to increased oil and gas drilling activity. The six regional LTL Business Units[1] generated revenue of $100.9 million as compared to $91.5 million in 2016.

- The demand for truckload services was largely consistent with prior year, however, we were negatively impacted by the completion of various major capital projects, most notably the Suncor Fort Hills oil sands project. The loss of revenue was mostly offset by $10.2 million in revenue generated by the recent acquisitions. The six truckload services Business Units generated $83.5 million in revenue as compared to $86.0 million in 2016.

- Fuel surcharge revenue, excluding the effect of acquisitions, increased to $15.2 million as compared to $10.9 million in 2016.

Revenue related to Company Equipment increased by $0.2 million, or 0.2 percent, to $117.9 million as compared to $117.7 million in 2016 and represented 65.2 percent of segment revenue in the current period as compared to 67.7 percent in 2016. Revenue related to Contractors increased by $6.9 million, or 12.3 percent, to $62.8 million as compared to $55.9 million in 2016 and represented 34.7 percent of segment revenue in the current period as compared to 32.1 percent in 2016.

[1] Our six regional LTL Business Units consist of Gardewine Group Limited Partnership ("**Gardewine**"), Courtesy Freight Systems Ltd. ("**Courtesy**"), Jay's Transportation Group Ltd., Hi-Way 9, Grimshaw Trucking L.P. and Bernard Transport Ltd. Although their primary service offering is LTL, they provide many other services including full-truckload, bulk and logistics services.

Direct Operating Expenses

Q1 Direct Operating Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2017		2016		Change	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**32.8**	**27.8**	31.4	26.7	1.4	4.5
Fuel	**14.0**	**11.9**	9.9	8.4	4.1	41.4
Repairs and maintenance	**14.7**	**12.5**	13.3	11.3	1.4	10.5
Purchased transportation	**18.8**	**15.9**	16.0	13.6	2.8	17.5
Operating supplies	**6.5**	**5.5**	7.4	6.3	(0.9)	(12.2)
Other	**4.4**	**3.8**	4.0	3.4	0.4	10.0
	91.2	**77.4**	82.0	69.7	9.2	11.2
Contractors	**46.2**	**73.6**	40.6	72.6	5.6	13.8
Total	**137.4**	**76.0**	122.6	70.5	14.8	12.1

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

DOE were $137.4 million in the first quarter as compared to $122.6 million in 2016. The increase of $14.8 million was due to a combination of the following factors:

- a $7.0 million or 4.0 percent increase in segment revenue;
- higher costs, the most notable being fuel expense and purchased transportation;
- the new acquisitions, which are not as efficiently operated as our existing Business Units; and
- a change in revenue mix associated with the completion of major capital projects.

As a result of these factors, expenses expressed as a percentage of revenue increased by 5.5 percent to 76.0 percent as compared to 70.5 percent in 2016.

DOE related to Company Equipment increased by $9.2 million, or 11.2 percent, to $91.2 million as compared to $82.0 million in 2016. In terms of a percentage of revenue, Company expenses increased by 7.7 percent to 77.4 percent as compared to 69.7 percent in 2016. These expenses were higher in both absolute and percentage terms due to the effect of our recent acquisitions, which had higher operating expenses related to Company Equipment, as well as increased fuel costs associated with the year over year rise in crude oil prices and an increase in purchased transportation expense at Gardewine.

Contractors expense in the first quarter increased by $5.6 million to $46.2 million as compared to $40.6 million in 2016. This increase was generally in line with the $6.9 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased by 1.0 percent to 73.6 percent as compared to 72.6 percent in 2016.

Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2017		2016		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**13.2**	**7.3**	13.2	7.6	—	—
Communications, utilities and general supplies	**6.3**	**3.5**	6.0	3.5	0.3	5.0
Profit share	**1.2**	**0.7**	2.3	1.3	(1.1)	(47.8)
Foreign exchange	**—**	**—**	0.4	0.2	(0.4)	(100.0)
Rent and other	**1.4**	**0.7**	1.4	0.8	—	—
Total	**22.1**	**12.2**	23.3	13.4	(1.2)	(5.2)

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

S&A expenses were $22.1 million in the first quarter as compared to $23.3 million in 2016. The decrease of $1.2 million was primarily due to the $1.1 million reduction in profit share expense. Excluding the effects of the recent acquisitions, wages and benefits were reduced by $0.7 million. These reductions were offset by $1.2 million of incremental S&A expenses associated with the acquisitions. S&A expenses as a percentage of segment revenue declined to 12.2 percent as compared to 13.4 percent in 2016.

Operating Income Before Depreciation and Amortization

OIBDA[1] for the first quarter decreased by $6.6 million, or 23.6 percent, to $21.4 million as compared to $28.0 million generated in the same period last year. Operating margin[1] decreased to 11.8 percent as compared to 16.1 percent in 2016. This 4.3 percent decrease in operating margin[1] was primarily due to these four factors:

- the loss of higher margin business associated with the transload operations at Kleysen Group and the completion of various major capital projects, most notably the Suncor Fort Hills oil sands project;
- the lower margins generated by the recent acquisitions;
- the higher costs associated with operating Company Equipment, most notably fuel; and
- competitive pricing pressures.

Capital Expenditures

Net capital expenditures[1] were $4.0 million in the first quarter, an increase of $0.4 million as compared to $3.6 million in 2016. The Trucking/Logistics segment had gross capital expenditures of $4.6 million and dispositions of $0.6 million for net capital expenditures[1] of $4.0 million in 2017. Gross capital expenditures mainly consisted of the purchase of replacement trucks and trailers, as well as various pieces of operating equipment mainly for our LTL Business Units. In 2016 gross capital expenditures were $3.8 million and dispositions were $0.2 million for net capital expenditures[1] of $3.6 million.

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

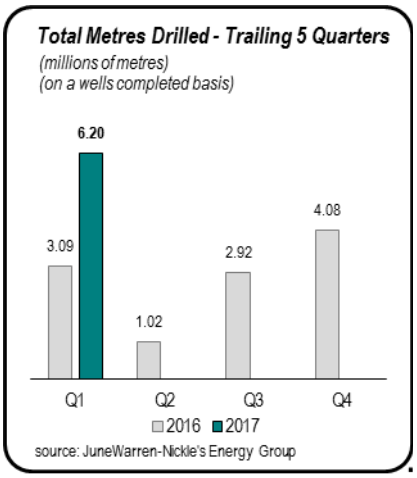
OILFIELD SERVICES SEGMENT

Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At March 31, 2017, the Oilfield Services segment was comprised of 16 Business Units, that utilize both Company Equipment and Contractors.

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

Industry Statistics

The change in drilling techniques continues to evolve. We consider the number of active rigs operating, total wells drilled, length of metres drilled within such wells and the number of operating days, to be useful measures to gauge the strength of industry activity. Recent efforts to enhance drilling efficiency, combined with a movement to longer and deeper multi-stage horizontal wells have changed the correlation of certain drilling statistics. Generally speaking, the rig count and average days to drill a well have decreased while the total metres drilled have increased. Although the WCSB rig count was up substantially year over year, the number of rig moves was relatively flat. In addition, drilling techniques have evolved whereby the demand for bagged mud has diminished. However, the increase in metres drilled per well has continued to support demand for drill pipe transportation and drilling fluid hauling services.



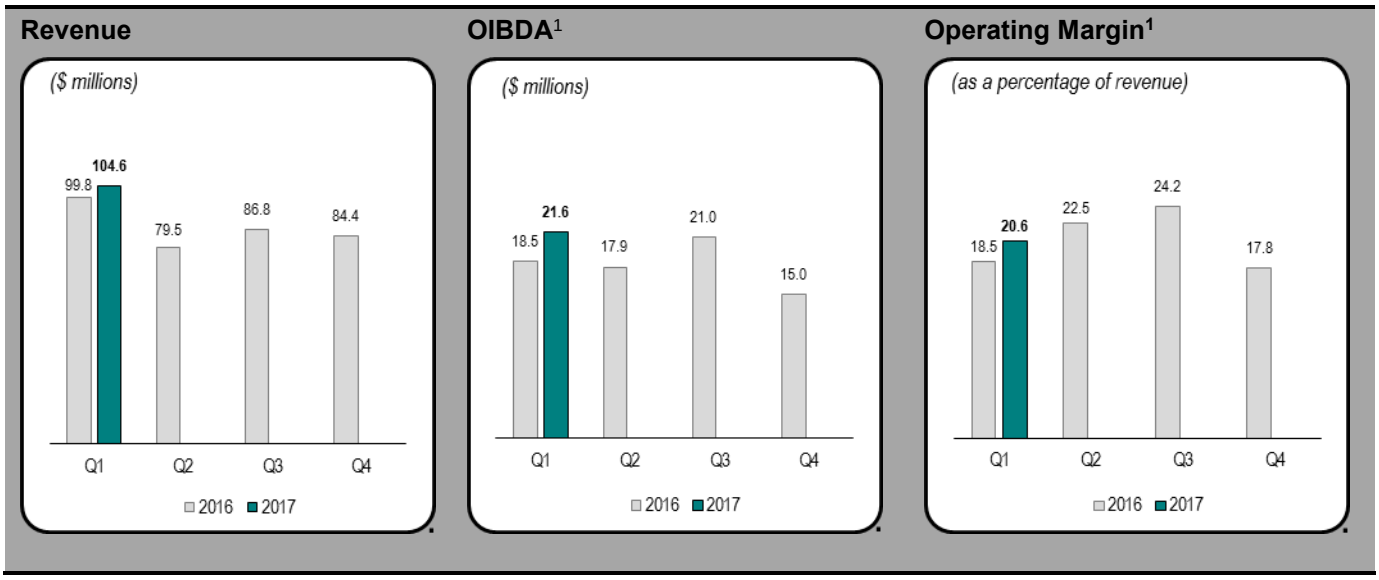
Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, increased in the quarter as compared to the prior year. Industry statistics indicate that the average active rig count was 299 rigs during 2017 as compared to 164 active rigs in 2016, an increase of 135 rigs or 82.3 percent. Total wells drilled in 2017 increased by 113.0 percent to 2,360 wells drilled in the quarter as compared to 1,108 wells drilled in 2016. The length of metres drilled within such wells increased by 100.6 percent during the current quarter to 6.20 million metres as compared to 3.09 million metres in 2016. In addition, a portion of our operations are related to the continued development and extraction of oil sands deposits in western Canada, which is changing due to lower crude oil pricing, lack of pipeline capacity to new markets and regulatory requirements.

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

	Three month periods ended March 31			
	2017	**2016**	**# Change**	**% Change**
British Columbia	**180**	135	45	33.3
Alberta	**1,211**	542	669	123.4
Saskatchewan	**884**	390	494	126.7
Manitoba	**85**	41	44	107.3
Northwest Territories	**—**	—	—	—
Total	**2,360**	1,108	1,252	113.0

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

Summary – Trailing Five Quarters



Revenue

Q1 Revenue – Oilfield Services *(unaudited)* *($ millions)*	2017		2016		Change	
	$	%	$	%	$	%
Company	**77.7**	**74.3**	72.2	72.3	5.5	7.6
Contractors	**26.3**	**25.1**	27.1	27.2	(0.8)	(3.0)
Other	**0.6**	**0.6**	0.5	0.5	0.1	20.0
Total	**104.6**	**100.0**	99.8	100.0	4.8	4.8

Segment revenue increased by $4.8 million, or 4.8 percent, to $104.6 million as compared to $99.8 million in 2016 and represented 36.6 percent of pre-consolidated revenue as compared to 36.5 percent in 2016. The increase in revenue can be attributed to improved drilling activity being largely offset by the decline in demand for pipeline hauling and stringing services. Some of the specific factors that impacted revenue in the first quarter were the following:

- a $6.7 million increase in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- incremental revenue of $0.7 million generated from the acquisition of Envolve;
- a $1.0 million increase in revenue generated by those Business Units providing drilling services due to increased demand for conductor pipe setting services;
- a $0.2 million increase in revenue generated by those Business Units providing specialized services due to an increase in demand for pumps and related dewatering services being offset by declines in pipeline hauling and stringing services due to fewer pipeline construction projects; and
- a $4.0 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to our disciplined strategy of demarketing certain unprofitable business.

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

Revenue related to Company Equipment increased by $5.5 million, or 7.6 percent, to $77.7 million as compared to $72.2 million in 2016 and represented 74.3 percent of segment revenue in the current period as compared to 72.3 percent in 2016. Revenue related to Contractors decreased by $0.8 million, or 3.0 percent, to $26.3 million as compared to $27.1 million in 2016 and represented 25.1 percent of segment revenue in the current period as compared to 27.2 percent in 2016.

Direct Operating Expenses

Q1 Direct Operating Expenses – Oilfield Services						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**20.0**	**25.7**	20.4	28.3	(0.4)	(2.0)
Fuel	**6.3**	**8.1**	4.7	6.5	1.6	34.0
Repairs and maintenance	**11.0**	**14.2**	11.1	15.4	(0.1)	(0.9)
Purchased transportation	**0.6**	**0.8**	1.0	1.4	(0.4)	(40.0)
Operating supplies	**10.0**	**12.9**	7.1	9.8	2.9	40.8
Other	**2.3**	**2.9**	2.4	3.3	(0.1)	(4.2)
	50.2	**64.6**	46.7	64.7	3.5	7.5
Contractors	**20.6**	**78.3**	20.8	76.8	(0.2)	(1.0)
Total	**70.8**	**67.7**	67.5	67.6	3.3	4.9

**as a percentage of respective Oilfield Services revenue*

DOE were $70.8 million in the first quarter as compared to $67.5 million in 2016. The increase of $3.3 million, or 4.9 percent, was consistent with the increase in segment revenue. As a percentage of revenue these expenses were generally in line with prior year rising slightly to 67.7 percent as compared to 67.6 percent in 2016.

DOE associated with Company Equipment in the first quarter increased to $50.2 million as compared to $46.7 million in 2016. The increase of $3.5 million, or 7.5 percent, was generally in line with the 7.6 percent increase in Company revenue. As a percentage of Company revenue these expenses decreased by 0.1 percent to 64.6 percent as compared to 64.7 percent in 2016, primarily due to greater efficiencies in most areas, most notably wages and benefits, being offset by the 3.1 percent increase in operating supplies expense due to increased pump sales and the 1.6 percent rise in fuel expense due to rising oil prices.

Contractors expense in the first quarter decreased by $0.2 million to $20.6 million as compared to $20.8 million in 2016. This decrease was generally in line with the 3.0 percent decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 78.3 percent as compared to 76.8 percent in 2016 due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

Q1 Selling and Administrative Expenses – Oilfield Services						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**6.2**	**5.9**	8.1	8.1	(1.9)	(23.5)
Communications, utilities and general supplies	**3.6**	**3.4**	3.6	3.6	—	—
Profit share	**1.4**	**1.3**	1.0	1.0	0.4	40.0
Rent and other	**1.0**	**1.1**	1.1	1.1	(0.1)	(9.1)
Total	**12.2**	**11.7**	13.8	13.8	(1.6)	(11.6)

**as a percentage of total Oilfield Services revenue*

S&A expenses were $12.2 million in the first quarter as compared to $13.8 million in 2016. The $1.6 million decrease was mainly attributable to a $1.9 million decline in wages and benefits as well as other cost cutting

initiatives. S&A expenses as a percentage of segment revenue declined by 2.1 percent to 11.7 percent in comparison to 13.8 percent in 2016 due to aggressive cost cutting measures undertaken in 2016 and the $4.8 million increase in segment revenue.

Operating Income Before Depreciation and Amortization

OIBDA[1] in the first quarter increased by 16.8 percent to $21.6 million. The $3.1 million year over year increase was primarily due to the improved performance at those Business Units leveraged to the increase in drilling activity in western Canada, cost control initiatives and, to a lesser degree, the acquisition of Envolve. Some of the specific factors that impacted OIBDA[1] in the first quarter were the following:

- a $4.4 million increase in those Business Units tied to drilling related activity;
- a $1.1 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $0.3 million increase in those Business Units involved in drilling services including core drilling; and
- a $2.7 million decrease relating to those Business Units leveraged to the oil sands and pipeline construction projects.

Operating margin[1] increased to 20.6 percent in the first quarter from 18.5 percent in 2016 with operating margin[1] improvement in most Business Units tied to oil and gas drilling activity and those involved in the transportation of fluids and servicing of wells due to improved economies of scale resulting in the 2.1 percent decline in S&A expenses as a percentage of revenue.

Capital Expenditures

Net capital expenditures[1] were $(1.6) million in the first quarter of 2017, a decrease of $1.7 million as compared to $0.1 million in 2016. The Oilfield Services segment had gross capital expenditures of $0.8 million and dispositions of $2.4 million for net capital expenditures[1] of $(1.6) million in 2017. Gross capital expenditures mainly consisted of the purchase of equipment for Canadian Dewatering. The majority of the dispositions related to the sale of older trucks and trailers. In 2016 gross capital expenditures were $0.5 million and dispositions were $0.4 million for net capital expenditures[1] of $0.1 million.

CORPORATE

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

The Corporate Office recorded a loss of $1.3 million in the first quarter of 2017 as compared to a loss of $7.6 million in 2016. The $6.3 million decrease in loss was mainly attributable to a $5.6 million positive variance in foreign exchange. In the first quarter of 2017, the Corporate Office recorded a foreign exchange loss of $1.0 million as compared to a foreign exchange loss of $6.6 million in 2016. The $1.0 million foreign exchange loss in 2017 was due to the Corporate Office holding an average of approximately U.S. $80.1 million of cash combined with a $0.0128 weakening of the U.S. dollar relative to the Canadian dollar. Excluding the effects of foreign exchange, the Corporate Office experienced a loss of $0.3 million as compared to a loss of $1.0 million in 2016. The reduction of $0.7 million was mainly due to the impact of cost control measures.

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

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Three month periods ended March 31			
		2017		**2016**
Net cash from operating activities	**$**	**4.3**	$	34.5
Net cash used in financing activities		**(14.3)**		(66.5)
Net cash used in investing activities		**(16.6)**		(3.5)
Change in cash and cash equivalents		**(26.6)**		(35.5)
Effect of exchange rate fluctuations on cash held		**(1.0)**		(6.6)
Cash and cash equivalents, beginning of period		**270.3**		147.2
Cash and cash equivalents, end of period	**$**	**242.7**	$	105.1

Sources and Uses of Cash

Net cash from operating activities decreased by $30.2 million, or 87.5 percent to $4.3 million in the first quarter of 2017 as compared to $34.5 million in 2016 primarily due to changes in non-cash working capital items. Net cash used in financing activities declined by $52.2 million due to the repayment of long-term debt in the first quarter of 2016 (Series C Notes of $70.0 million) and the reduction in dividends paid to shareholders on a year over year basis. These decreases were partially offset from borrowings in the first quarter of 2016 under the Bank Credit Facility (as hereafter defined on page 32). Net cash used in investing activities increased by $13.1 million due to the 2017 acquisitions of Envolve and Kel-West. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities decreased to $4.3 million in the first quarter of 2017 as compared to $34.5 million in 2016. The decrease of $30.2 million, or 87.5 percent was mainly due to a $23.1 million increase in cash used in non-cash working capital items, a $5.6 million positive variance in foreign exchange and a $4.2 million increase in cash taxes paid. These items were partially offset by a $2.8 million increase in OIBDA[1].

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		
	2017	**2016**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(25.1)**	(3.7)	(21.4)
Inventory	**0.8**	1.3	(0.5)
Prepaid expenses	**(1.3)**	—	(1.3)
Accounts payable and accrued liabilities	**2.2**	2.1	0.1
Total sources (uses) of cash from non-cash working capital items	**(23.4)**	(0.3)	(23.1)

In the first quarter of 2017 we used $23.4 million of cash from changes in non-cash working capital items from operating activities as compared to using $0.3 million of cash in 2016. This $23.1 million variance was mainly due to the following factors.

- An additional $21.4 million of cash was used from trade and other receivables that resulted from the combined effect of a $25.1 million use of cash in 2017 as compared to a $3.7 million use of cash in 2016.

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

- An additional $1.3 million of cash was used from prepaid expenses that resulted from the combined effect of a $1.3 million use of cash in 2017 as compared to a nil amount in 2016.

- An additional $0.5 million of cash was used from inventory that resulted from the combined effect of a $0.8 million source of cash in 2017 as compared to a $1.3 million source of cash in 2016.

Somewhat offsetting these items was the following:

- An additional $0.1 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of a $2.2 million source of cash in 2017 as compared to a $2.1 million source of cash in 2016.

Cash Used In Financing Activities

Net cash used in financing activities decreased to $14.3 million in the first quarter of 2017 as compared to $66.5 million in 2016. The decrease of $52.2 million was mainly due to the factors set forth below.

- A $70.7 million decrease in the repayment of long-term debt due to the repayment of the Series C ($70.0 million) Notes in the first quarter of 2016.

- A $14.5 million reduction in dividends paid to shareholders in the first quarter of 2017 as compared to 2016 due to a decrease in the monthly dividend to $0.03 per Common Share for 2017 as compared to $0.08 per Common Share in the first quarter of 2016.

- A $1.8 million decrease in interest paid on long-term debt.

Somewhat offsetting these items was the following:

- A $35.0 million increase in cash was obtained in the first quarter of 2016 from borrowings under the Bank Credit Facility (as hereafter defined on page 32).

Cash Used In Investing Activities

Net cash used in investing activities increased to $16.6 million in the first quarter of 2017 as compared to $3.5 million in 2016. This $13.1 million increase was mainly due to the factor set forth below.

- A $15.6 million increase in acquisition costs due to the 2017 acquisitions of Kel-West and Envolve. There were no acquisitions completed in the first quarter of 2016.

Somewhat offsetting this item were the following:

- A $2.0 million decrease in net capital expenditures[1]. In the first quarter of 2017 net capital expenditures[1] were $1.8 million as compared to $3.8 million in 2016.

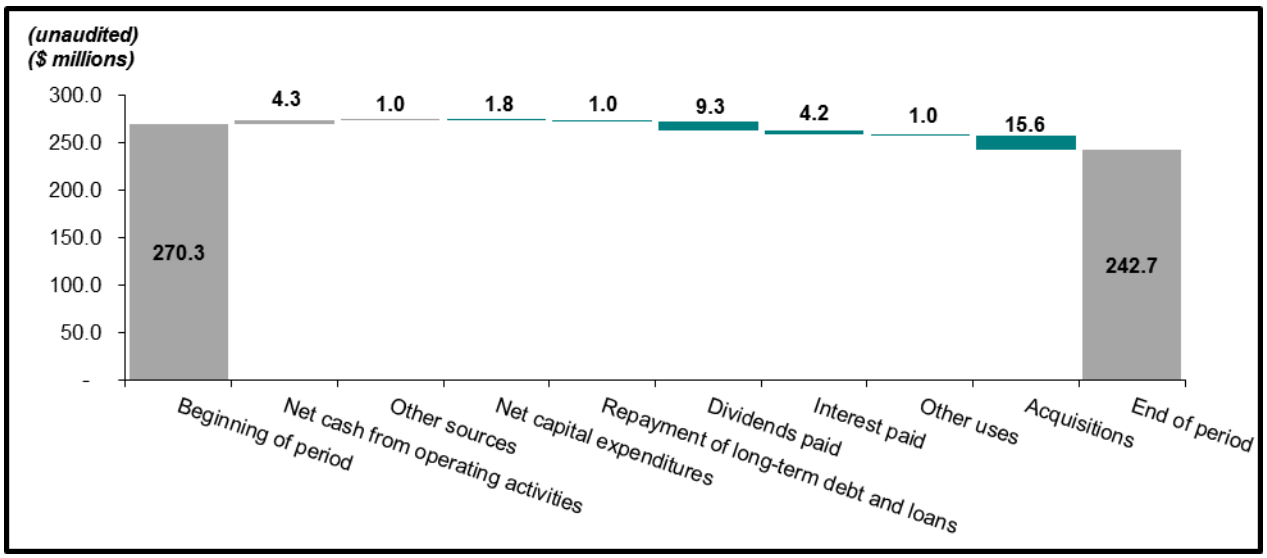
- A $0.3 million increase in interest received on cash and cash equivalents.

- A $0.2 million decrease in other assets.

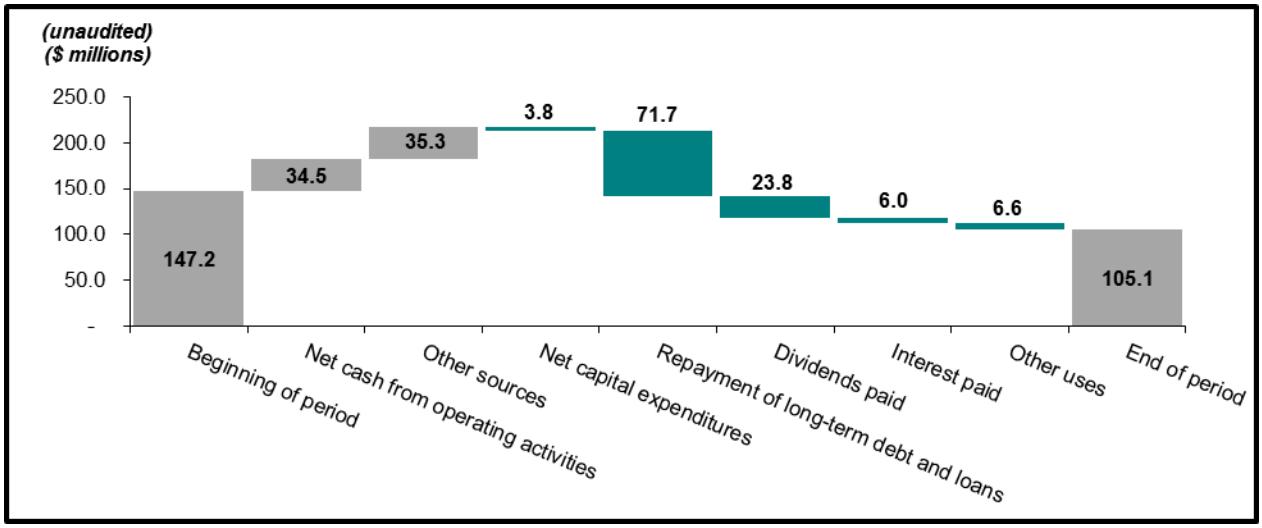
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

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

Three month period ended March 31, 2017



Three month period ended March 31, 2016



In addition to the $4.3 million (2016 – $34.5 million) of net cash from operating activities, we also received $1.0 million (2016 – $35.3 million) of cash from other sources, which mainly consisted of the change in non-cash working capital items from financing activities and interest income generated on cash and cash equivalents. Cash was used to fund acquisitions of $15.6 million (2016 – nil), repay long-term debt and loans of $1.0 million (2016 – $71.7 million), pay dividends totalling $9.3 million (2016 – $23.8 million), incur net capital expenditures[1] of $1.8 million (2016 – $3.8 million) and pay interest obligations of $4.2 million (2016 – $6.0 million). We also had $1.0 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, 2017, we had $245.2 million (December 31, 2016 – $243.1 million) of working capital, which included $242.7 million (December 31, 2016 – $270.3 million) of cash and cash equivalents, of which $82.8 million was denominated in U.S. currency. Included within non-cash working capital is $135.2 million of current portion of long-term debt, which is mainly comprised of the Series E Notes (U.S. $85.0 million) and Series F Notes ($20.0 million). The Series E and Series F Notes mature on September 27, 2017. The U.S. dollar cash held aligns closely to the principal of the Series E Notes.

In addition to the $245.2 million of working capital, we had access to our $75.0 million credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). At March 31, 2017, there were no amounts drawn on the Bank Credit Facility. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2017 are available to finance our ongoing working capital requirements, our September 2017 maturities of Series E and Series F Notes and our 2017 capital budget, as well as various special projects and acquisition opportunities.

Capital Expenditures

On December 14, 2016, the Board approved a $25.0 million capital budget for 2017, exclusive of corporate acquisitions, real property and special projects. The capital will be focused towards the replacement of trucks, trailers and specialized equipment to support the operations of the Business Units in the Trucking/Logistics segment. On April 19, 2017, the Board increased the 2017 capital budget to $50.0 million. The additional $25.0 million of new capital will be allocated to support growth opportunities and the operations of the Business Units in the Oilfield Services segment. The capital budget for 2017 is lower than annual depreciation due to the current slowdown in the oil and gas industry, which has reduced the need for new capital in our Oilfield Services segment Business Units. Generally, over the course of an economic cycle, Mullen Group's maintenance capital expenditure approximates its annual depreciation on property, plant and equipment. Our diverse business model, and wide range of operations, provides us with the ability to redeploy certain assets over different regions for greater utilization. It also provides us with considerable flexibility in the amount of maintenance capital expenditure requirements in any given fiscal period.

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Debt

As at March 31, 2017, we had net debt[1] outstanding of $310.9 million, (December 31, 2016 – $316.3 million), which consisted of total debt of $691.4 million (December 31, 2016 – $695.7 million) less working capital (excluding the current portion of long-term debt) of $380.5 million (December 31, 2016 – $379.4 million). 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 our total debt and net debt[1] as at March 31, 2017, and December 31, 2016:

		March 31, 2017		December 31, 2016		
($ millions)	**Interest Rate**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**U.S. Dollar**	**CDN. Dollar Equivalent**	**Change in CDN. Dollar Equivalent**
Private Placement Debt:						
Series D - matures June 30, 2018	5.76%	**$ —**	**$ 70.0**	$ —	$ 70.0	**$ —**
Series E - matures September 27, 2017	5.90%	**85.0**	**113.0**	85.0	114.1	**(1.1)**
Series F - matures September 27, 2017	5.47%	**—**	**20.0**	—	20.0	**—**
Series G - matures October 22, 2024	3.84%	**117.0**	**155.6**	117.0	157.1	**(1.5)**
Series H - matures October 22, 2026	3.94%	**112.0**	**149.0**	112.0	150.4	**(1.4)**
Series I - matures October 22, 2024	3.88%	**—**	**30.0**	—	30.0	**—**
Series J - matures October 22, 2026	4.00%	**—**	**3.0**	—	3.0	**—**
Series K - matures October 22, 2024	3.95%	**—**	**58.0**	—	58.0	**—**
Series L - matures October 22, 2026	4.07%	**—**	**80.0**	—	80.0	**—**
Bank Credit Facility	variable[(1)]	**—**	**—**	—	—	**—**
Various Financing Loans	3.63% - 7.68%	**—**	**2.5**	—	3.0	**(0.5)**
Less:						
Unamortized debt issuance costs		**—**	**(2.0)**	—	(2.2)	**0.2**
Long-term debt (including the current portion)		**314.0**	**679.1**	314.0	683.4	**(4.3)**
Debentures - debt component	10.0%	**—**	**12.3**	—	12.3	**—**
Total debt		**$ 314.0**	**$ 691.4**	$ 314.0	$ 695.7	**$ (4.3)**
Less:						
Working capital (excluding the current portion of long-term debt)			**380.5**		379.4	**1.1**
Net debt[(2)]			**$ 310.9**		$ 316.3	**$ (5.4)**

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

Amending Agreement and Private Placement Debt Financial Covenants

Mullen Group has certain financial covenants under its Private Placement Debt. On March 31, 2016, at our discretion, we entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms (the "**Amending Agreement**") that included both temporary and permanent amendments. The Amending Agreement replaces the financial covenant term total debt with total net debt[1] for financial covenant calculation purposes. On a temporary basis, during the period up to and including March 31, 2018 (the "**Covenant Relief Period**"), total net debt[1] 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 permanently defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same. There are two main financial covenants, summarized as follows:

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

Total Net Debt[1] to Operating Cash Flow. Mullen Group's total net debt[1] cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt[1] means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and letters of credit, excluding the Debentures less the value of any cash and cash equivalents in excess of $50.0 million and less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Total net debt[1] to operating cash flow financial covenant under our Private Placement Debt enables us to include the trailing twelve months operating cash flows from acquisitions. Although permitted, we have not included any operating cash flows generated from the acquisitions completed in 2017 in this financial covenant calculation.

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

Total net debt[(1)] to operating cash flow		**March 31 2017**		**December 31 2016**
Total net debt[(1)]	$	**460.0**	$	435.0
Operating cash flow	$	**186.8**	$	183.8
Total net debt[(1)] to operating cash flow		**2.46:1**		2.37:1

[(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. The fixed charge coverage ratio cannot be less than 1.75:1 calculated using the trailing twelve months financial results.

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

Financial Covenants	**Financial Covenant Threshold**	**March 31 2017**	**December 31 2016**
Private Placement Debt Covenants			
(a) Total net debt[(1)] to operating cash flow cannot exceed	3.50:1	**2.46:1**	2.37:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	**4.99:1**	4.73:1

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

Total net debt[1] to operating cash flow was 2.46:1 at March 31, 2017. Assuming the $460.0 million of total net debt[1] remains constant, we would need to generate approximately $131.4 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. Cash as at March 31, 2017, was $242.7 million, including $82.8 million of U.S. dollars, a portion of which could be used to repay current debt maturities, fund acquisitions, increase capital expenditures or use for general corporate purposes. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to our trailing twelve month operating cash flows from the date of acquisition for financial covenant calculation purposes.

Our debt-to-equity ratio was 0.71:1 at March 31, 2017, as compared to 0.72:1 at December 31, 2016. This decrease in the debt-to-equity ratio was due to the net effect of a $4.3 million decrease in total debt (including the current portion) and a $5.4 million increase in equity as compared to December 31, 2016. The $4.3 million decrease in total debt was mainly due to the effect of the $4.0 million unrealized foreign exchange gain on the Corporation's U.S. dollar debt. The $5.4 million increase in equity mainly resulted from the $14.5 million of net income being recognized in the first quarter of 2017, which was somewhat offset by the $9.3 million of dividends declared to shareholders.

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

Contractual Obligations

An overview of Mullen Group's contractual obligations can be found on page 39 of the 2016 MD&A. As at March 31, 2017, Mullen Group's contractual obligations have not changed significantly from this overview.

Share Capital

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

Common Shares

Common Shares **Authorized: Unlimited Number**	**# of Common Shares**		**Amount** ***($ millions)***
Balance at March 31, 2017	**103,654,316**	**$**	**933.3**

At March 31, 2017, there were 103,654,316 Common Shares outstanding representing $933.3 million in share capital. There was no change in the number of Common Shares outstanding during the first quarter of 2017.

Convertible Unsecured Subordinated Debentures

On May 1, 2009, we 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 (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 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 at a conversion price of $10.73.

The details of the Debentures are as follows:

($ millions)		**March 31, 2017**		**December 31, 2016**	
Year of Maturity	**Nominal Interest Rate**	**Face Value**	**Carrying Amount**	**Face Value**	**Carrying Amount**
2018	10%	**$ 12.4**	**$ 12.3**	$ 12.4	$ 12.3

As at March 31, 2017, 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 the Corporation. As such, there remain 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 our financial covenant calculations on the Private Placement Debt. The Debentures are also subordinated to the Bank Credit Facility.

Stock Option Plan

	Options	Weighted average exercise price
Outstanding – December 31, 2016	2,157,500	$ 20.98
Granted	—	—
Exercised	—	—
Forfeited	(30,000)	(21.82)
Outstanding – March 31, 2017	**2,127,500**	**$ 20.97**
Exercisable – March 31, 2017	**1,022,500**	**$ 20.49**

The total number of options available to be issued under the stock option plan cannot exceed 4,000,000. In the first quarter of 2017, there were no stock options granted or exercised and there were 30,000 stock options forfeited. As at March 31, 2017, Mullen Group had 2,127,500 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 following the holiday season due to less consumer demand and customers reducing shipments. Operating expenses also tend to increase within this segment in the winter months due to decreased fuel efficiency and increased repairs and maintenance expense resulting from cold weather conditions.

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

Financial Results

	TTM[1]	2017	2016				2015		
(unaudited)		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
($ millions, except per share amounts)	$	$	$	$	$	$	$	$	$
Revenue	**1,048.3**	284.9	**257.8**	**258.6**	**247.0**	**271.7**	287.7	304.7	284.8
Operating income before depreciation and amortization[2]	**183.8**	41.7	**42.5**	**53.6**	**46.0**	**38.9**	52.7	65.5	46.4
Operating income before depreciation and amortization – adjusted[2]	**181.6**	42.7	**40.2**	**52.1**	**46.6**	**45.5**	49.3	59.4	47.5
Net income (loss)	**45.1**	14.5	**(0.7)**	**17.6**	**13.7**	**21.4**	2.4	7.3	0.9
Earnings (loss) per share									
Basic	**0.44**	0.14	**(0.01)**	**0.17**	**0.14**	**0.23**	0.03	0.08	0.01
Diluted	**0.44**	0.14	**(0.01)**	**0.17**	**0.14**	**0.23**	0.03	0.08	0.01
Other Information									
Net unrealized foreign exchange (gain) loss	**8.4**	(2.3)	**11.4**	**5.0**	**(5.7)**	**(16.5)**	10.6	10.2	1.2
Decrease (increase) in fair value of investments	**(0.8)**	1.0	**(1.6)**	**(4.4)**	**4.2**	**0.1**	3.5	7.4	4.2

(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".*

First quarter financial results were generally in line with last year's first quarter results. The main factors having a positive influence on our results included the completion of a series of six acquisitions and improved drilling activity that resulted in increased demand for oilfield services and supported greater demand for trucking services in western Canada. These positive results were somewhat offset by intense competition, the completion of several major capital projects and reduced pipeline construction activity. As a result, our consolidated revenue in the quarter increased to $284.9 million from $271.7 million in 2016. The increase of $13.2 million, or 4.9 percent, was primarily due to $7.0 million of additional revenue generated by the Trucking/Logistics segment and a $4.8 million improvement by the Oilfield Services segment. Revenue generated by the Trucking/Logistics segment increased by $7.0 million during the quarter due to the incremental revenue generated from the acquisitions, an increase in demand for freight services in western Canada and from greater fuel surcharge revenue. These increases were somewhat offset by the completion of various major capital projects. Revenue generated by the Oilfield Services segment increased by $4.8 million due to a greater amount of revenue generated by those Business Units most directly tied to oil and natural gas drilling activity and from an increase in demand for pumps and related dewatering services. These increases were somewhat offset by lower demand for pipeline hauling and stringing services due to the timing of certain projects and from lower revenue from those Business Units involved in the transportation of fluids and servicing of wells due to a very competitive pricing environment. Net income in the first

quarter of 2017 was $14.5 million, a decrease of $6.9 million from the $21.4 million of net income generated in 2016. The $6.9 million decrease in net income was mainly attributable to a $14.2 million negative variance in net unrealized foreign exchange. This decrease was partially offset by a $2.8 million increase in OIBDA[1], a $2.2 million decrease in amortization of intangibles, a $1.9 million decrease in finance costs and a $1.7 million decrease in depreciation of property, plant and equipment. As a result, basic earnings per share in the first quarter of 2017 was $0.14, a decrease of $0.09, from the $0.23 of earnings per share generated in 2016.

Fourth quarter financial results continued to be negatively impacted by the continued lack of demand for oilfield services and under investment by the oil and gas industry relative to prior years. As a result, our consolidated revenue in the quarter decreased to $257.8 million from $287.7 million in 2015. The decline of $29.9 million, or 10.4 percent, was primarily due to lower revenue generated by the Oilfield Services segment as demand slowed for specialized transportation services, major pipeline projects and dewatering services related to Alberta's oil sands development, as well as declines associated with the demarketing of unprofitable business related to the transportation of fluids and servicing of wells. These decreases were somewhat offset with modest revenue gains in our drilling related Business Units, which is correlated to the increase in drilling activity in western Canada. Revenue generated by the Trucking/Logistics segment fell by $4.5 million during the quarter due to lower freight demand and transload services in Alberta. These declines were minimized by incremental revenue generated from acquisitions and increased demand for services related to construction activity in northern Manitoba. Net loss in the fourth quarter of 2016 was $0.7 million, a decrease of $3.1 million from the $2.4 million of net income generated in 2015. The $3.1 million decrease in net income was mainly attributable to a $10.2 million decrease in OIBDA[1], a $3.0 million contingent gain recorded in 2015 and a $0.8 million negative variance in net unrealized foreign exchange. These decreases were somewhat offset by a $5.1 million positive variance in the fair value of investments, a $2.2 million decrease in amortization of intangible assets and a $2.2 million increase in gain on sale of property, plant and equipment. As a result, basic loss per share in the fourth quarter of 2016 was $0.01, a decrease of $0.04, from the $0.03 of earnings per share generated in 2015.

Consolidated revenue in the third quarter of 2016 decreased by $46.1 million, or 15.1 percent, to $258.6 million as compared to $304.7 million in 2015. The decrease of $46.1 million was attributable to a reduction in revenue experienced by both the Oilfield Services segment and the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by $35.2 million and was due to the continuation of low commodity prices, which resulted in lower drilling activity levels and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity, from lower demand for large diameter pipeline construction projects and dewatering services. These decreases were somewhat offset by greater demand for heavy haul freight services related to Alberta's oil sands. The Trucking/Logistics segment experienced a $9.8 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and lower freight volumes predominately in Alberta. These decreases were somewhat offset by the incremental revenue generated from the acquisitions of Courtesy and Motrux as well as from the increased revenue generated by Smook Contractors Ltd. and Mullen Trucking. Net income in the third quarter of 2016 was $17.6 million, an increase of $10.3 million from the $7.3 million generated in 2015. The $10.3 million increase in net income was mainly attributable to an $11.8 million positive variance in the fair value of investments and a $5.2 million positive variance in net unrealized foreign exchange. These increases were somewhat offset by an $11.9 million decrease in OIBDA[1]. As a result, basic earnings per share in the third quarter of 2016 was $0.17, an increase of $0.09, from the $0.08 generated in 2015.

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

[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 2016 MD&A. As at March 31, 2017, 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 2016 MD&A. As at March 31, 2017, 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 our Interim Financial Statements, which have been prepared in accordance with IFRS and comply with IAS 34 Interim Financial Reporting. The Interim Financial Statements require management to select significant accounting policies and make certain critical accounting estimates that affect the reported assets, liabilities, revenue and expenses. A description of critical accounting estimates can be found beginning on page 69 of the 2016 MD&A. As at March 31, 2017, our critical accounting estimates have not changed significantly from such description.

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

A description of new standards and interpretations not yet adopted can be found on page 72 of the 2016 MD&A. There have been no new standards or interpretations issued during 2017 that significantly impact Mullen Group.

Changes in Accounting Policies

During the three month period ended March 31, 2017, the Corporation adopted the following accounting policy as a result of the acquisition of Envolve.

Asset Retirement Obligations

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

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

As at March 31, 2017, an evaluation of the effectiveness of our disclosure controls and procedures as defined under the rules adopted by the Canadian securities regulatory authorities was carried out under the supervision and with the participation of management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"). In accordance with the provisions of National Instrument 52-109 – Certifications of Disclosure in Issuers' Annual and Interim Filings, management, including the CEO and CFO, have limited the scope of their design of the Corporation's disclosure controls and procedures to exclude controls, policies and procedures of Caneda. Mullen

Group acquired Caneda on October 1, 2016. During the three month period ended March 31, 2017, Caneda generated revenue and earnings before tax of $8.0 million and $0.3 million, respectively. As at March 31, 2017, Caneda had $8.1 million of current assets and $1.6 million of current liabilities. The scope limitation is primarily due to the time required for the Corporation's management to assess Caneda's disclosure controls and procedures to ensure they are consistent with those of the Corporation. Based on this evaluation, the CEO and the CFO concluded that, as at March 31, 2017, the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by the Corporation in reports filed with, or submitted to, securities regulatory authorities were reported within the time periods specified under Canadian securities laws.

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

The CEO and CFO limited the scope of their design of the Corporation's internal controls over financial reporting to exclude controls, policies and procedures of Caneda due to the time required for the Corporation's management to assess Caneda's internal controls over financial reporting to ensure they are consistent with those of the Corporation. Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at March 31, 2017, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes. As of December 31, 2016, we were utilizing the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. In 2017 there was no change in our internal control over financial reporting that materially affected or is reasonably likely to materially affect our internal control over financial reporting.

FORWARD-LOOKING INFORMATION STATEMENTS

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

- Mullen Group's view that the markets we serve are fragile and that a period of adjustment is still required before our financial performance improves, as referred to in the Executive Summary beginning on page 4;

- Mullen Group's comment that the trucking and logistics sector of the economy remains very competitive, however, we expect to see improved pricing later this year, as referred to in the Executive Summary beginning on page 4;

- Mullen Group's announcement of a $25.0 million increase to our 2017 capital expenditure budget to support new growth opportunities in the Oilfield Services segment, as referred to in the Executive Summary beginning on page 4;

- Mullen Group's comment that our outlook has not changed materially and consider 2017 as a transition year, as referred to in the Outlook section beginning on page 6;

- Mullen Group's belief that commodity prices will need to move higher for drilling activity to increase from first quarter 2017 levels, as referred to in the Outlook section beginning on page 6;

- Mullen Group's comment that a lack of capital investment will continue to be a negative drag on the Canadian economy and our results for the balance of the year, as referred to in the Outlook section beginning on page 6;

- Mullen Group's comment that we are optimistic that west coast LNG projects will begin to materialize as the approvals are processed and support grows and that other various large diameter pipelines also await final approvals, as referred to in the Outlook section beginning on page 6;

- Mullen Group's view that current competing market conditions impacting our Trucking/Logistics segment will prevail until later this year, as referred to in the Outlook section beginning on page 6;

- Mullen Group's comment that acquisitions will be key to our short term growth initiatives and longer term performance and that we will continue to use our balance sheet to acquire competing and complementary businesses in both segments of the economy – Trucking/Logistics and the oil and natural gas industry – in anticipation of improved market fundamentals, as referred to in the Outlook section beginning on page 6;

- Mullen Group's intention of allocating additional capital to support the growth plans of our new Business Unit Envolve, as referred to in the Outlook section beginning on page 6;

- Mullen Group's intention to pay monthly dividends of $0.03 per Common Share for 2017, as referred to in the Dividends section beginning on page 6;

- Mullen Group's approval of a $50.0 million capital budget for 2017, exclusive of corporate acquisitions, real property and special projects, of which $25.0 million will be focused towards the replacement of trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment and the other $25.0 million will be allocated to support growth opportunities and the operations of the Business Units in the Oilfield Services segment, as referred to in the Progress, Outlook and Capital Expenditures sections on pages 3, 6 and 10; and

- Mullen Group's intention to use working capital, the Bank Credit Facility (as defined on page 32) and the anticipated cash flow from operating activities in 2017 to finance its ongoing working capital requirements, its September 2017 maturities of the Series E and Series F Notes, dividends declared by the Board, its 2017 capital budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 29.

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, we have made the assumptions listed below:

- Mullen Group's view that the markets we serve are fragile and that a period of adjustment is still required before our financial performance improves, is based on the assumption that there is a sense of optimism returning to the oil and natural gas industry, which we expect will benefit our organization in the second half of the year.

- Mullen Group's comment that the trucking and logistics sector of the economy remains very competitive, however, we expect to see improved pricing later this year, is based on the assumption that freight demand is starting to increase and if this trend continues it will lead to improved pricing opportunities.

- Mullen Group's announcement of a $25.0 million increase to our 2017 capital expenditure budget to support new growth opportunities in the Oilfield Services segment, is based on the assumption that there will be a recovery in the energy sector.

- Mullen Group's comment that our outlook has not changed materially and consider 2017 as a transition year is based on the recovery in the price of crude oil and natural gas being supportive of an increase in drilling activity, particularly in quality resource basins such as northwest Alberta.

- Mullen Group's belief that commodity prices will need to move higher for drilling activity to increase from first quarter 2017 levels, is based on the assumption that oil and gas producers will increase their drilling programs as commodity prices improve.

- Mullen Group's comment that a lack of capital investment will continue to be a negative drag on the Canadian economy and our results for the balance of the year, is based on the assumption that long life projects like the oil sands remain on indefinite hold.

- Mullen Group's comment that we are optimistic that west coast LNG projects will begin to materialize as the approvals are processed and support grows and that other various large diameter pipelines also await final

approvals, is based on the assumption that when sanctioned, capital project such as these require significant capital investment and would benefit our business.

- Mullen Group's view that current competing market conditions impacting our Trucking/Logistics segment will prevail until later this year, is based on the assumption that economic output remains below capacity and the levels required to materially improve the demand/supply fundamentals for the trucking and logistics sector of the Canadian economy.

- Mullen Group's comment that acquisitions will be key to our short term growth initiatives and longer term performance and that we will continue to use our balance sheet to acquire competing and complementary businesses in both segments of the economy – Trucking/Logistics and the oil and natural gas industry – in anticipation of improved market fundamentals, is based on the assumption that we will be able to continue to use our strong balance sheet to complete acquisitions to support future growth.

- Mullen Group's intention of allocating additional capital to support the growth plans of our new Business Unit Envolve, is based on the assumption that Envolve will be able to identify and receive regulatory approval to construct additional full service well disposal facilities.

- Mullen Group's intention to pay monthly dividends of $0.03 per Common Share for 2017, is based on the assumption that we will generate sufficient cash in excess of our financial obligations to support the monthly dividend.

- Mullen Group's approval of a $50.0 million capital budget for 2017, exclusive of corporate acquisitions, real property and special projects, of which $25.0 million will be focused towards the replacement of trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment and the other $25.0 million will be allocated to support growth opportunities and the operations of the Business Units in the Oilfield Services segment, is based on the assumption that its Business Units will require capital to support their ongoing operations, growth opportunities and the expected increase in drilling activity.

- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2017 to finance its ongoing working capital requirements, its September 2017 maturities of the Series E and Series F Notes, dividends declared by the Board, its 2017 capital 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 we believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because we can give no assurance that they will prove to be correct.

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

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

GLOSSARY OF TERMS AND RECONCILIATION OF NON-GAAP 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, operating margin, OIBDA – adjusted, operating margin – adjusted, net income – adjusted, earnings per share – adjusted, net capital expenditures, net debt, total net debt and cash flow per share are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. This MD&A reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate our ability to fund our operations and information regarding our liquidity. In addition, these measures are used by management in its evaluation of performance. These Non-GAAP 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 our ability to generate cash from our 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 our operating activities.

Reconciliation of Net Income to Operating Income Before Depreciation and Amortization

(unaudited)	**Three month periods ended March 31**			
($ millions)		**2017**		**2016**
Net income	**$**	**14.5**	$	21.4
Add (deduct):				
Income tax expense		**4.2**		2.4
Net unrealized foreign exchange gain		**(2.3)**		(16.5)
Other (income) expense		**(0.9)**		(0.4)
Finance costs		**7.6**		9.5
Depreciation of property, plant and equipment		**16.1**		17.8
Amortization of intangible assets		**2.5**		4.7
Operating income before depreciation and amortization	**$**	**41.7**	$	38.9

Operating Margin

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

Operating Income Before Depreciation and Amortization – Adjusted

OIBDA – adjusted is a Non-GAAP term and is defined as 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. dollar cash held within the Corporate Office. Management relies on OIBDA – adjusted as a measurement since it provides an indication of our ability to generate cash from our principal business activities prior to depreciation and amortization, financing, 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 our operating activities.

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

(unaudited) *($ millions)*	Three month periods ended March 31			
		2017		**2016**
Net income	**$**	**14.5**	$	21.4
Add (deduct):				
Income tax expense		**4.2**		2.4
Net unrealized foreign exchange gain		**(2.3)**		(16.5)
Other (income) expense		**(0.9)**		(0.4)
Finance costs		**7.6**		9.5
Depreciation of property, plant and equipment		**16.1**		17.8
Amortization of intangible assets		**2.5**		4.7
Selling and administrative expenses[1]		**1.0**		6.6
Operating income before depreciation and amortization – adjusted	**$**	**42.7**	$	45.5

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

Operating Margin – Adjusted

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

Net Income – Adjusted and Earnings per Share – Adjusted

Net income – adjusted and earnings per share – adjusted are calculated by adjusting net income and basic earnings per share by the impact of any net unrealized foreign exchange gains and losses from the change in fair value of investments and the gain on fair value of equity investment. Management adjusts net income and earnings per share by excluding these specific factors to more clearly reflect earnings from an operating perspective. See page 19 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	
	2017	**2016**
Purchase of property, plant and equipment	**$ 4.2**	$ 4.4
Proceeds on sale of property, plant and equipment	**(2.4)**	(0.6)
Net capital expenditures	**$ 1.8**	$ 3.8

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, 2017**	**December 31, 2016**
Long-term debt	**$ 543.8**	$ 547.1
Convertible debentures - debt component	**12.3**	12.3
Total debt	**556.1**	559.4
Less working capital:		
Current assets	**474.4**	469.2
Current liabilities	**(229.2)**	(226.1)
Total working capital	**245.2**	243.1
Net debt	**$ 310.9**	$ 316.3

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Total Net Debt

On March 31, 2016, at our own discretion, we entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms up to and including the Covenant Relief Period. The Amending Agreement 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, 2017**
Private Placement Debt (including current portion)			**$ 676.6**
Various Financing Loans			**2.5**
Letters of credit			**4.7**
Total debt			**683.8**
Less: excess cash			
Cash and cash equivalents	$	242.7	
Covenant threshold		(50.0)	
Excess cash			**(192.7)**
Less: unrealized gain on Cross-Currency Swaps			**(31.1)**
Add: unrealized loss on Cross-Currency Swaps			**—**
			(223.8)
Total net debt			**$ 460.0**

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**			
		2017		**2016**
Net cash from operating activities	**$**	**4.3**	$	34.5
Weighted average number of Common Shares outstanding		**103,654,316**		91,661,066
Cash flow per share	**$**	**0.04**	$	0.38

MARCH 31, 2017

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		March 31 2017		December 31 2016
Assets					
Current assets:					
Cash and cash equivalents		**$**	**242,709**	$	270,291
Trade and other receivables			**179,061**		153,766
Inventory			**29,297**		30,075
Prepaid expenses			**10,102**		8,754
Current tax receivable			**13,291**		6,311
			474,460		469,197
Non-current assets:					
Property, plant and equipment			**945,215**		948,540
Goodwill			**356,470**		351,883
Intangible assets			**33,935**		22,604
Investments			**31,798**		38,648
Deferred tax assets			**5,740**		8,330
Derivative financial instruments	**6**		**31,057**		32,759
Other assets			**1,707**		1,066
			1,405,922		1,403,830
Total Assets		**$**	**1,880,382**	$	1,873,027
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**90,304**	$	83,460
Dividends payable	**7**		**3,110**		3,110
Current tax payable			**579**		3,209
Current portion of long-term debt	**9**		**135,245**		136,300
			229,238		226,079
Non-current liabilities:					
Long-term debt	**9**		**543,849**		547,107
Convertible debentures – debt component			**12,316**		12,290
Asset retirement obligations			**961**		—
Deferred tax liabilities			**128,168**		127,141
			685,294		686,538
Equity:					
Share capital	**10**		**933,303**		933,303
Convertible debentures – equity component			**550**		550
Contributed surplus			**12,900**		12,679
Retained earnings			**19,097**		13,878
			965,850		960,410
Total Liabilities and Equity		**$**	**1,880,382**	$	1,873,027

The notes which begin on page 52 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on April 19, 2017, after review by the Audit Committee.

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) *(thousands, except per share amounts)*	Note	Three month periods ended March 31 2017	2016
Revenue		**$ 284,888**	$ 271,733
Direct operating expenses		**206,269**	187,807
Selling and administrative expenses		**36,951**	45,016
Operating income before depreciation and amortization		**41,668**	38,910
Depreciation of property, plant and equipment		**16,076**	17,819
Amortization of intangible assets		**2,513**	4,698
Finance costs		**7,573**	9,482
Net unrealized foreign exchange gain	**6**	**(2,317)**	(16,437)
Other (income) expense	**13**	**(910)**	(395)
Income before income taxes		**18,733**	23,743
Income tax expense	**8**	**4,184**	2,369
Net income and total comprehensive income		**$ 14,549**	$ 21,374
Earnings per share:	**11**		
Basic		**$ 0.14**	$ 0.23
Diluted		**$ 0.14**	$ 0.23
Weighted average number of Common Shares outstanding:	**11**		
Basic		**103,654**	91,661
Diluted		**103,663**	92,821

The notes which begin on page 52 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, 2017	**$ 933,303**	**$ 550**	**$ 12,679**	**$ 13,878**	**$ 960,410**
Total comprehensive income for the period	**—**	**—**	**—**	**14,549**	**14,549**
Stock-based compensation expense	**—**	**—**	**221**	**—**	**221**
Dividends declared to common shareholders	**—**	**—**	**—**	**(9,330)**	**(9,330)**
Balance at March 31, 2017	**$ 933,303**	**$ 550**	**$ 12,900**	**$ 19,097**	**$ 965,850**

(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
Stock-based compensation expense	—	—	328	—	328
Dividends declared to common shareholders	—	—	—	(21,999)	(21,999)
Balance at March 31, 2016	$ 778,448	$ 550	$ 11,925	$ 15,424	$ 806,347

The notes which begin on page 52 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 2017	2016
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 14,549**	$ 21,374
Adjustments for:			
Depreciation and amortization		**18,589**	22,517
Finance costs		**7,573**	9,482
Stock-based compensation expense		**221**	328
Unrealized foreign exchange loss on cross-currency swaps	**6**	**1,702**	10,347
Foreign exchange		**(3,003)**	(20,233)
Change in fair value of investments	**13**	**1,048**	128
Loss (gain) on sale of property, plant and equipment	**13**	**60**	(44)
Gain on fair value of equity investment	**5**	**(1,555)**	—
Earnings from equity investments	**13**	**(464)**	(479)
Accretion on asset retirement obligations	**13**	**1**	—
Income tax expense	**8**	**4,184**	2,369
Cash flows from operating activities before non-cash working capital items		**42,905**	45,789
Changes in non-cash working capital items from operating activities:			
Trade and other receivables		**(25,116)**	(3,717)
Inventory		**778**	1,327
Prepaid expenses		**(1,315)**	42
Accounts payable and accrued liabilities		**2,262**	2,043
Cash generated from operating activities		**19,514**	45,484
Income tax paid		**(15,221)**	(11,008)
Net cash from operating activities		**4,293**	34,476
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(9,330)**	(23,832)
Interest paid		**(4,233)**	(6,047)
Repayment of long-term debt and loans		**(1,002)**	(71,667)
Proceeds from bank credit facility		**—**	35,000
Changes in non-cash working capital items from financing activities		**283**	38
Net cash used in financing activities		**(14,282)**	(66,508)
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(15,596)**	—
Purchase of property, plant and equipment		**(4,246)**	(4,390)
Proceeds on sale of property, plant and equipment		**2,436**	600
Interest received		**559**	193
Dividends from equity investee		**128**	—
Other assets		**172**	(1)
Changes in non-cash working capital items from investing activities		**(30)**	83
Net cash used in investing activities		**(16,577)**	(3,515)
Change in cash and cash equivalents		**(26,566)**	(35,547)
Cash and cash equivalents at January 1		**270,291**	147,243
Effect of exchange rate fluctuations on cash held		**(1,016)**	(6,551)
Cash and cash equivalents at March 31		**$ 242,709**	$ 105,145

The notes which begin on page 52 are an integral part of these condensed interim consolidated financial statements.

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

3. Significant Accounting Policies

(a) Significant Accounting Policies

Except as indicated below, the accompanying Interim Financial Statements should be read in conjunction with Note 3 to Mullen Group's audited annual consolidated financial statements for the year ended December 31, 2016, (the "**Annual Financial Statements**") as the accounting policies applied by the Corporation in these Interim Financial Statements are the same as those disclosed therein.

During the three month period ended March 31, 2017, the Corporation adopted the following accounting policy as a result of the acquisition of Envolve Energy Services Corp. ("**Envolve**").

Asset Retirement Obligations

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

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, 2017 Financial Instrument	Fair Value Hierarchy		Carrying Amount		Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	$	5,160	$	5,160
Derivative Financial Instruments	Level 2	$	31,057	$	31,057
Private Placement Debt	Level 2	$	676,612	$	593,624
Debentures – debt component	Level 2	$	12,316	$	12,565

5. Acquisitions

2017 Acquisitions

Kel-West Carriers Ltd. – On January 31, 2017, Mullen Group acquired all of the issued and outstanding shares of Kel-West Carriers Ltd. ("**Kel-West**") for cash consideration of $3.7 million. Mullen Group recorded $3.7 million of cash used to acquire Kel-West on its condensed consolidated statement of cash flows. Kel-West is headquartered in Kelowna, British Columbia and provides transportation and logistics services primarily in western Canada. Mullen Group acquired Kel-West as part of its strategy to invest in the transportation sector in western Canada and its financial results are included in the Trucking/Logistics segment.

Envolve Energy Services Corp. – On April 10, 2015, Mullen Group acquired approximately 38.0 percent of the issued and outstanding shares of Envolve for $5.0 million. Mullen Group used the equity method to account for this investment and recognized $1.1 million of earnings from April 10, 2015 until March 17, 2017. On March 17, 2017, Mullen Group acquired all of the remaining issued and outstanding shares of Envolve for cash consideration of $12.6 million. Mullen Group recorded $11.9 million of cash used to acquire Envolve in its condensed consolidated statement of cash flows, which consists of $12.6 million of cash consideration paid on closing net of $0.7 million of cash acquired. The fair value of Envolve was $20.3 million on the date control was obtained resulting in a $1.6 million gain on this equity investment being recognized within other (income) expense on the condensed consolidated statement of comprehensive income. Envolve is an oilfield waste disposal company operating in the Grande Prairie, Alberta region. Mullen Group acquired Envolve as part of its strategy to invest in the energy sector. The results from Envolve's operations are included in the Oilfield Services segment.

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

		2017
Assets:		
Non-cash working capital items	$	824
Property, plant and equipment		11,001
Intangible assets		13,844
Goodwill (not deductible for tax purposes)		4,587
Other assets		813
		31,069
Assumed liabilities:		
Long-term debt		2,302
Asset retirement obligations		960
Deferred income taxes		4,518
		7,780
Net assets before cash and cash equivalents		23,289
Cash and cash equivalents		724
Net assets		24,013
Consideration:		
Cash		16,320
Fair value of equity investment		7,693
	$	24,013

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

6. 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, 2017, Mullen Group recorded a net unrealized foreign exchange gain of $2.3 million (2016 – $16.5 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	Three month periods ended March 31			
	CDN. $ Equivalent			
		2017		2016
Unrealized foreign exchange gain on U.S. $ debt	**$**	**(4,019)**	$	(26,784)
Unrealized foreign exchange loss on Cross-Currency Swaps		**1,702**		10,347
Net unrealized foreign exchange gain	**$**	**(2,317)**	$	(16,437)

For the three month period ending March 31, 2017, Mullen Group recorded an unrealized foreign exchange gain on U.S. dollar debt of $4.0 million (2016 - $26.8 million) as summarized in the table below:

Unrealized Foreign Exchange Gain on U.S. $ Debt	Three month periods ended March 31					
	2017			2016		
($ thousands, except exchange rate amounts)	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent	U.S. $ Debt	Exchange Rate	CDN. $ Equivalent
Ending – March 31	**314,000**	**1.3299**	**417,589**	314,000	1.2987	407,792
Beginning – January 1	**314,000**	**1.3427**	**421,608**	314,000	1.3840	434,576
Unrealized foreign exchange gain on U.S. $ debt			**(4,019)**			(26,784)

For the three month period ended March 31, 2017, Mullen Group recorded an unrealized foreign exchange loss on its Cross-Currency Swaps of $1.7 million (2016 – $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 on Cross-Currency Swaps	Three month periods ended March 31			
	2017		2016	
	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**	**858**	117,000	5,526
Cross-Currency Swap maturing October 22, 2026	**112,000**	**844**	112,000	4,821
Unrealized foreign exchange loss on Cross-Currency Swaps		**1,702**		10,347

7. Dividends Payable

For the three month period ended March 31, 2017, Mullen Group declared monthly dividends of $0.03 per Common Share totalling $0.09 per Common Share (2016 – $0.24 per Common Share). On April 20, 2016, the Board of Directors (the "**Board**") of Mullen Group reduced the amount of the monthly dividend to $0.03 per Common Share commencing with the declaration of the May 2016 dividend. At March 31, 2017, Mullen Group had 103,654,316 Common Shares outstanding and a dividend payable of $3.1 million (December 31, 2016 – $3.1 million), which was paid on April 17, 2017. Mullen Group also declared a dividend of $0.03 per Common Share on April 18, 2017, to the holders of record at the close of business on April 30, 2017.

8. Income Taxes

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

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

	Three month periods ended March 31	
	2017	**2016**
Income before income taxes	**$ 18,733**	$ 23,743
Combined statutory tax rate	**27%**	27%
Expected income tax	**5,057**	6,411
Add (deduct):		
Non-deductible (taxable) portion of net unrealized foreign exchange (gain)	**(313)**	(2,219)
Non-deductible (taxable) portion of the change in fair value of investments	**(68)**	17
Stock-based compensation expense	**59**	88
Other	**(551)**	(1,928)
Income tax expense	**$ 4,184**	$ 2,369

9. Long-Term Debt and Credit Facility

Mullen Group has a $75.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at March 31, 2017, no amounts were drawn on this facility. This facility does not have any financial covenants, however, Mullen Group must be in compliance with certain reporting and general covenants. Mullen Group is in compliance with all of these reporting and general covenants.

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

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

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

[1] Interest is payable semi-annually.

Mullen Group's unamortized debt issuance costs of $2.0 million related to its Private Placement Debt have been netted against its carrying value at March 31, 2017 (December 31, 2016 – $2.2 million). Mullen Group has certain financial covenants that must be met under its unsecured Private Placement Debt, which include a total debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio. Mullen Group's total debt cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months financial results normalized for acquisitions. The term "**total debt**" means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and Letters of Credit, excluding the Debentures. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve month consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits, (ii) depreciation and amortization taken during such period, (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms (the "**Amending Agreement**"), that included both temporary and permanent amendments. On a temporary basis, the Amending Agreement replaces the financial covenant term total debt with total net debt for financial covenant calculation purposes for a period up to and including March 31, 2018 (the "**Covenant Relief Period**"). During the Covenant Relief Period, total net debt 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 debt will be amended on a permanent basis and replaced with total net debt, which 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. Mullen Group cannot have a fixed

charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results. Mullen Group is in compliance with all the Private Placement Debt financial covenants.

Mullen Group also had debt comprised of various financing loans, which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

The following table summarizes the Corporation's total debt:

	March 31, 2017	December 31, 2016
Current liabilities:		
Private Placement Debt	**$ 133,042**	$ 134,130
Various Financing Loans	**2,203**	2,170
Bank Credit Facility	**—**	—
	135,245	136,300
Non-current liabilities:		
Private Placement Debt	**543,570**	546,325
Various Financing Loans	**279**	782
	543,849	547,107
	$ 679,094	$ 683,407

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

			March 31, 2017		December 31, 2016	
	Year of Maturity	Nominal Interest Rate	Face Value	Carrying Amount	Face Value	Carrying Amount
			$	$	$	$
Bank Credit Facility	—	Variable	**—**	**—**	—	—
Private Placement Debt	2017 - 2026	3.84% - 5.90%	**678,589**	**676,612**	682,607	680,455
Various Financing Loans	2017 - 2019	3.63% - 7.68%	**2,482**	**2,482**	2,952	2,952
			681,071	**679,094**	685,559	683,407

10. Share Capital

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

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

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

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

	# of Common Shares	
	2017	2016
Issued Common Shares at March 31	**103,654,316**	91,661,066

11. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three month period ended March 31, 2017, was $14.5 million (2016 – $21.4 million). The weighted average number of Common Shares outstanding for the three month periods ended March 31, 2017 and 2016 was calculated as follows:

		Three month periods ended March 31	
	Note	**2017**	**2016**
Issued Common Shares at beginning of period	**10**	**103,654,316**	91,661,066
Effect of stock options exercised		**—**	—
Effect of Debentures converted		**—**	—
Weighted average number of Common Shares at end of period – basic		**103,654,316**	91,661,066

(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			
		2017		**2016**
Net income	**$**	**14,549**	$	21,374
Effect on finance costs from conversion of Debentures (net of tax)		**—**		246
Net income – adjusted	**$**	**14,549**	$	21,620

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

	Three month periods ended March 31			
		2017		**2016**
Weighted average number of Common Shares – basic	**$**	**103,654,316**	$	91,661,066
Effect of "in the money" stock options		**8,566**		—
Effect of conversion of Debentures		**—**		1,159,874
Weighted average number of Common Shares at end of period – diluted	**$**	**103,662,882**	$	92,820,940

For the three month period ended March 31, 2017, 1,960,000 stock options (2016 – 2,292,500) 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, 2017 and 2016. For the three month period ended March 31, 2017, the 1,159,874 Common Shares that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**") were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive. For the three month period ended March 31, 2016, the 1,159,874 Common Shares that would be issued upon conversion of the Debentures were included in the calculation as their effect was dilutive.

12. Seasonality of Operations

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

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

13. Other (Income) Expense

	Three month periods ended March 31	
	2017	**2016**
Change in fair value of investments	**$ 1,048**	$ 128
Loss (gain) on sale of property, plant and equipment	**60**	(44)
Gain on fair value of equity investment	**(1,555)**	—
Earnings from equity investments	**(464)**	(479)
Accretion on asset retirement obligations	**1**	—
Other (income) expense	**$ (910)**	$ (395)

▶ ***For more information on the gain on fair value of equity investment, refer to Note 5.***

14. Operating Segments

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

				Intersegment eliminations		
Three month period ended March 31, 2017	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
Revenue	**$ 180,885**	**$ 104,592**	**$ 940**	**$ (1,314)**	**$ (215)**	**$ 284,888**
Income before income taxes	**10,322**	**8,150**	**261**	**—**	**—**	**18,733**
Depreciation of property, plant and equipment	**5,046**	**9,539**	**1,491**	**—**	**—**	**16,076**
Amortization of intangible assets	**1,699**	**814**	**—**	**—**	**—**	**2,513**
Capital expenditures [1]	**4,554**	**792**	**17**	**(122)**	**(995)**	**4,246**
Total assets at March 31, 2017	**497,916**	**620,173**	**762,293**	**—**	**—**	**1,880,382**

[1] Excludes business acquisitions

				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 December 31, 2016	476,891	593,512	802,624	—	—	1,873,027

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

CORPORATE INFORMATION

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