Mullen Group Ltd.

Q3

INTERIM REPORT

FOR THE PERIOD ENDED
SEPTEMBER 30, 2017

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CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**"), dated October 25, 2017, has been prepared by management of Mullen Group Ltd. ("**Mullen Group**" and/or the "**Corporation**") for the three and nine month periods ended September 30, 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 and nine month periods ended September 30, 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 October 25, 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 57 of this MD&A.*

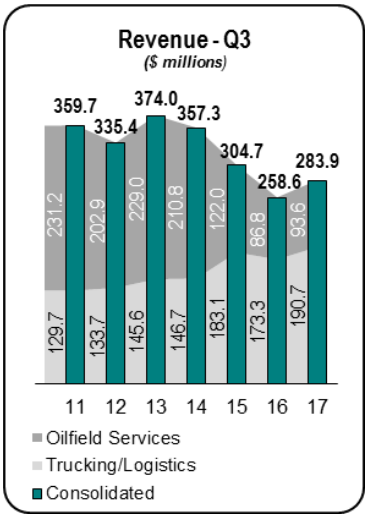
Non-GAAP and Additional GAAP Terms *- Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its 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.*

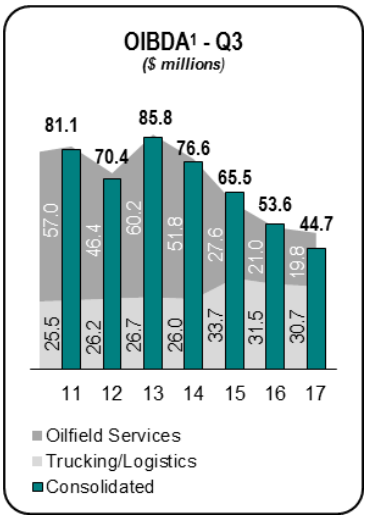
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

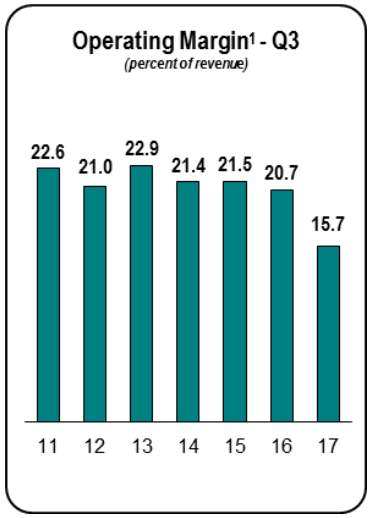
HIGHLIGHTS FOR THE QUARTER

PERFORMANCE: *(unaudited)* *($ millions, except share price and per share amounts)*	Three month periods ended September 30			Nine month periods ended September 30		
	2017	2016	% Change	2017	2016	% Change
Financial Results						
Revenue	**$ 283.9**	$ 258.6	9.8	**$ 842.4**	$ 777.3	8.4
Operating income before depreciation and amortization[(1)]	**44.7**	53.6	(16.6)	**126.2**	138.5	(8.9)
Operating income before depreciation and amortization – adjusted[(1)]	**49.2**	52.1	(5.6)	**134.2**	144.2	(6.9)
Net foreign exchange (gain) loss	**(11.3)**	5.0	(326.0)	**(23.0)**	(17.2)	33.7
Decrease (increase) in fair value of investments	**0.1**	(4.4)	(102.3)	**1.3**	(0.1)	(1,400.0)
Net income	**26.0**	17.6	47.7	**60.1**	52.7	14.0
Net income – adjusted[(1)]	**13.0**	18.9	(31.2)	**34.5**	36.2	(4.7)
Net cash from operating activities	**44.0**	44.4	(0.9)	**83.8**	127.8	(34.4)
Cash dividends declared to common shareholders	**9.3**	9.3	—	**28.0**	44.9	(37.6)
Financial Position						
Cash and cash equivalents	**$ 123.6**	$ 261.3	(52.7)	**$ 123.6**	$ 261.3	(52.7)
Long-term debt (includes the current portion thereof and the debt component of Debentures)	**539.0**	686.1	(21.4)	**539.0**	686.1	(21.4)
Total assets	**1,764.2**	1,886.5	(6.5)	**1,764.2**	1,886.5	(6.5)
Share Information						
Cash dividends declared per Common Share	**$ 0.09**	$ 0.09	—	**$ 0.27**	$ 0.47	(42.6)
Earnings per share – basic	**$ 0.25**	$ 0.17	47.1	**$ 0.58**	$ 0.54	7.4
Earnings per share – diluted	**$ 0.25**	$ 0.17	47.1	**$ 0.58**	$ 0.54	7.4
Earnings per share – adjusted[(1)]	**$ 0.12**	$ 0.18	(33.3)	**$ 0.33**	$ 0.37	(10.8)
Share price – September 30	**$ 17.05**	$ 16.46	3.6	**$ 17.05**	$ 16.46	3.6
Other Information						
Net capital expenditures[(1)]	**$ 10.6**	$ 3.5	202.9	**$ 16.5**	$ 12.0	37.5
Acquisitions	**$ 15.1**	$ 3.6	319.4	**$ 30.7**	$ 3.6	752.8

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







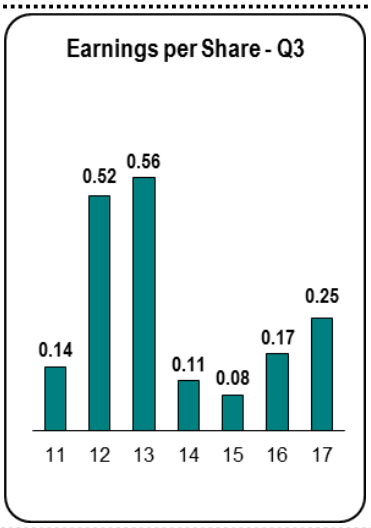
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

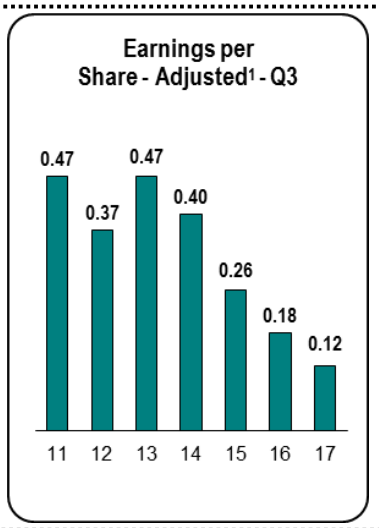
POSITION:

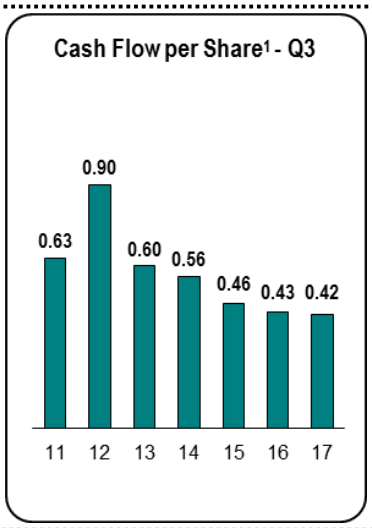
- Working capital: $181.4 million (includes $123.6 million of cash and cash equivalents and a current liability of $83.7 million related to the Series D Notes and the convertible unsecured subordinated debentures)
- Repaid both the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes that matured on September 27, 2017
- Net debt[1]: $273.9 million (long-term debt plus the debt component of Debentures less working capital); net debt[1] to trailing twelve months OIBDA[1]: 1.62:1
- There was a $0.05 rise in the Canadian dollar relative to the U.S. dollar, resulting in a foreign exchange gain of $16.2 million and a $6.6 million negative impact on OIBDA[1]

PROGRESS:

- Revenue growth of 9.8 percent on a year over year basis:
  - Trucking/Logistics segment grew by 10.0 percent for new record revenue of $190.7 million
  - Oilfield Services segment revenue grew by 7.8 percent to $93.6 million
- OIBDA – adjusted[1] was down slightly from prior year:
  - Trucking/Logistics segment declined by 2.5 percent to $30.7 million
  - Oilfield Services segment declined by 5.7 percent to $19.8 million
- Continued to invest in growth opportunities, completing three acquisitions:
  - RDK Transportation Co. Inc., a Saskatoon, Saskatchewan based heavy haul business
  - Golden Transport Ltd., a Golden, British Columbia based less-than-truckload business
  - S. Krulicki & Sons Ltd., a Winnipeg, Manitoba based moving and storage business
- Invested $2.7 million (including Debentures) to acquire a 30.0 percent equity interest in Thrive Fluid Management Corp., a Grande Prairie, Alberta based oil and gas water management company
- Continued to advance our proprietary online logistics marketplace – Moveitonline™ – including a strategic investment in a technology provider, Trakopolis IoT Corp.







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

EXECUTIVE SUMMARY

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ending September 30, 2017 are as follows:

- generated consolidated revenue of $283.9 million, an increase of $25.3 million, or 9.8 percent, as compared to $258.6 million in 2016 due to:
    - a $17.4 million increase in the Trucking/Logistics segment (record quarterly revenue of $190.7 million)
    - a $6.8 million increase in the Oilfield Services segment
- earned consolidated operating income before depreciation and amortization ("**OIBDA**")[1] of $44.7 million, a decrease of $8.9 million as compared to $53.6 million in 2016 due to:
    - a $0.8 million decrease in the Trucking/Logistics segment
    - a $1.2 million decrease in the Oilfield Services segment
    - a $6.9 million increase in Corporate Office (as hereafter defined on page 8) costs mainly due to a $6.0 million negative variance in foreign exchange
- adjusting for the negative impact of foreign exchange losses at Corporate Office, operating income before depreciation and amortization ("**OIBDA – adjusted**")[1] was $49.2 million, or 17.3 percent of revenue, as compared to $52.1 million, or 20.1 percent of revenue, in 2016. These results more accurately reflect our operating performance.

Third Quarter Financial Results

For the three month period ended September 30, 2017, revenue increased by $25.3 million, or 9.8 percent, to $283.9 million as compared to $258.6 million in 2016. This was attributable to a $17.4 million increase in revenue in the Trucking/Logistics segment and a $6.8 million increase in the Oilfield Services segment. The increase in the Trucking/Logistics segment was mainly due to $12.5 million of incremental revenue related to our recent acquisitions of Caneda Transport Inc., Kel-West Carriers Ltd., RDK Transportation Co. Inc., Golden Transport Ltd., E.C.R. Enterprises Ltd. and Motrux Inc. Revenue also increased due to greater demand for freight services in western Canada largely due to the modest recovery in the oil and natural gas sector along with a $1.7 million increase in fuel surcharge revenue. These increases were somewhat offset by the completion of several major capital projects, most notably the Suncor Fort Hills oil sands and North West Upgrader projects 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 8) most directly tied to oil and natural gas drilling activity, those Business Units involved in the transportation of fluids and servicing of wells and from the $1.9 million of incremental revenue generated by Envolve Energy Services Corp. ("**Envolve**"). These increases were partially offset by the loss of revenue at both Canadian Dewatering L.P. ("**Canadian Dewatering**") and Heavy Crude Hauling L.P. resulting from a pipeline failure that occurred in Saskatchewan in the fall of 2016, which has since been recommissioned. Revenue also decreased from lower demand for heavy haul freight services due to the completion of several major capital projects and from a decline in demand for pipeline hauling and stringing services due to the timing and regulatory hurdles of various projects.

OIBDA[1] for the third quarter was $44.7 million, a decrease of $8.9 million or 16.6 percent as compared to $53.6 million in 2016. This was attributable to a $0.8 million decrease in the Trucking/Logistics segment, a $1.2 million decrease in the Oilfield Services segment and a $6.9 million increase in Corporate Office costs due mainly to foreign exchange. The Trucking/Logistics segment generated OIBDA[1] of $30.7 million, a decrease of $0.8 million from the $31.5 million in 2016. This decrease was mainly attributable to a change in revenue mix resulting from the completion of some major capital projects that have not been replaced. This decrease was somewhat offset by the incremental OIBDA[1] generated from our recent acquisitions. The Oilfield Services segment generated OIBDA[1] of $19.8 million, a decrease of $1.2 million from the $21.0 million in 2016 due to lower demand resulting from the completion of certain major projects in 2016. These decreases were somewhat offset by improved drilling activity, the continued effects of cost control measures previously implemented and from the acquisition of

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

Envolve. As a percentage of segment revenue, operating margin[1] in the Trucking/Logistics segment decreased to 16.1 percent from 18.2 percent in 2016. Operating margin[1] in the Oilfield Services segment decreased to 21.2 percent as compared to 24.2 percent in 2016. Adjusting for Corporate Office costs related to the impact of foreign exchange on U.S. dollar cash held, OIBDA – adjusted[1] was $49.2 million, a decrease of $2.9 million or 5.6 percent as compared to $52.1 million in 2016. Stated as a percentage of consolidated revenue, operating margin – adjusted[1] decreased to 17.3 percent as compared to 20.1 percent in 2016.

In the third quarter of 2017, we recorded net income of $26.0 million or $0.25 per share, an increase of $8.4 million, or 47.7 percent, compared to net income of $17.6 million or $0.17 per share in 2016. The $8.4 million increase was primarily due to the $16.3 million positive variance in net foreign exchange, a $2.7 million decrease in income tax expense, a $2.0 million gain on contingent consideration and a $0.8 million decrease in deprecation of property, plant and equipment. These increases to net income were somewhat offset by the $8.9 million decrease in OIBDA[1] and a $4.5 million negative variance in the fair value of investments.

Overall we were pleased with our performance last quarter and the progress we have made in transitioning our organization for the future. Our Business Units did a great job managing through what we can only describe as very competitive markets. We completed three acquisitions, all of which are smaller in size but are excellent fits in our organization, a meaningful contributor to the 10.0 percent year over year revenue growth in the quarter. Our operating profitability, while down from last year, was still respectable given that there were no new capital projects of size in 2017. We continued to make progress on the build out and development of Moveitonline™, our proprietary online logistics marketplace, which included a strategic investment in Trakopolis IoT Corp., a Calgary, Alberta based technology company. And we deleveraged the balance sheet.

Financial Position

On September 27, 2017, we used cash and cash equivalents to repay U.S. $85.0 million of Series E Notes and $20.0 million of Series F Notes. The Series E and Series F Notes matured on September 27, 2017. The repayment of these notes will reduce our annual interest obligation by approximately $7.5 million when using an average Canadian to U.S. dollar exchange rate of $1.2855 (or $0.7779). The weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt after repaying the Series E and Series F Notes is 3.89 percent and 4.51 percent, respectively. At September 30, 2017, we had $181.4 million (December 31, 2016 - $243.1 million) of working capital that included $123.6 million (December 31, 2016 - $270.3 million) of cash and cash equivalents, of which $6.6 million (December 31, 2016 - $81.0 million) was denominated in U.S. currency. Included within non-cash working capital items is $71.3 million of current portion of long-term debt mainly related to the Series D ($70.0 million) Notes, which mature on June 30, 2018 and $12.4 million of convertible unsecured subordinated debentures (the "**Debentures**") which mature on July 1, 2018. Each $1,000 of Debentures are convertible into 93.2 Common Shares of Mullen Group (or a conversion price of $10.73). Thus, an aggregate of approximately 1,159,874 Common Shares of Mullen Group would be issued if all holders convert their principal amount. At September 30, 2017, net debt[1] was $273.9 million (December 31, 2016 - $316.3 million) and we continued to have access to our $75.0 million undrawn Bank Credit Facility (as hereafter defined on page 48). The Corporation's long-term debt consists mainly of its Private Placement Debt (as hereafter defined on page 17) of U.S. $229.0 million and Canadian $241.0 million. 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 September 30, 2017, the carrying value of these Cross-Currency Swaps (as hereafter defined on page 18) was $25.5 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 $932.9 million, the majority of which consists of $464.6 million of real property (carrying cost of $523.1 million) and $371.3 million of trucks and trailers.

The trends we have spoken about throughout the year continue to be confirmed with economic activity levels remaining positive accompanied by a rebound in the oil and gas sector, which we believe is still in the early stages of a recovery. Unfortunately there is one negative trend for the oil and gas industry and that relates to the lack of development of major capital projects such as the oil sands, LNG development and large diameter pipeline undertakings, an essential component required to facilitate Canada's oil and gas industry access to new markets and away from the dependence on the U.S. market.

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

Nine Month Period Ended Financial Results

For the nine month period ended September 30, 2017, revenue increased by $65.1 million, or 8.4 percent, to $842.4 million as compared to $777.3 million in 2016. This was attributable to a $38.3 million increase in revenue in the Trucking/Logistics segment and a $22.9 million increase in the Oilfield Services segment. The increase in the Trucking/Logistics segment was mainly due to the $33.8 million of incremental revenue related to our recent acquisitions, market share gains and an increase in demand for freight services in western Canada. These increases were partially offset by the completion of various major capital projects in western Canada. The increase in the Oilfield Services segment was attributable to improved drilling activity which benefited those Business Units 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 due to the timing and regulatory hurdles of various projects.

OIBDA – adjusted[1] for the first nine months of 2017 was $134.2 million, a decrease of $10.0 million or 6.9 percent as compared to $144.2 million in 2016. This was attributable to an $11.9 million decrease in the Trucking/Logistics segment. This decrease was somewhat offset by a $1.4 million increase in the Oilfield Services segment and a $0.5 million reduction in Corporate Office costs. The Trucking/Logistics segment generated OIBDA[1] of $78.5 million, a decrease of $11.9 million from the $90.4 million in 2016. This decrease was mainly attributable to the completion of some major capital projects that have not been replaced. This decrease was partially offset by the incremental OIBDA[1] generated from our recent acquisitions. The Oilfield Services segment generated OIBDA[1] of $58.8 million, an increase of $1.4 million from the $57.4 million in 2016 due to improved drilling activity, the continued effects of cost control measures previously implemented and from the acquisition of Envolve. These improvements were somewhat offset by lower demand for pipeline hauling and stringing services due to the timing of certain projects. As a percentage of segment revenue, operating margin[1] in the Trucking/Logistics segment decreased to 14.1 percent from 17.5 percent in 2016. Operating margin[1] in the Oilfield Services segment decreased slightly to 20.3 percent as compared to 21.6 percent in 2016. Stated as a percentage of consolidated revenue, operating margin – adjusted[1] decreased to 15.9 percent as compared to 18.6 percent in 2016.

In the first nine months of 2017, we recorded net income of $60.1 million or $0.58 per share, an increase of $7.4 million, or 14.0 percent, as compared to net income of $52.7 million or $0.54 per share in 2016. The $7.4 million increase was primarily due to the $5.8 million positive variance in net foreign exchange, a $7.1 million decrease in depreciation and amortization, a $2.6 million decrease in finance costs, a $2.0 million gain on contingent consideration and a $1.9 million decrease in income tax expense. These increases were partially offset by the $12.3 million decrease in OIBDA[1].

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

OUTLOOK

Generally speaking our financial performance for the three month period ended September 30, 2017, was consistent with our expectations and with the prior correspondence to our shareholders. The economy continued on a path of slow to moderate growth driven primarily by strong consumer spending and the increased wealth affect from rising home prices in certain markets. The demand of trucking and logistics in the Canadian market was stronger in the quarter, however, disruptions to the supply chain negatively impacted several of our Business Units (as hereafter defined on page 8) in September due to the hurricanes, most notably in the states of Texas and Florida, which bore the brunt of the storms in North America. In addition, trucking rates continued to be negatively influenced by e-commerce companies such as Amazon and the proliferation of online shopping. Pricing remained very competitive in the quarter, as evidenced by the margin contraction in our Trucking/Logistics segment.

In the oil and gas sector of the economy, drilling activity was up sharply as compared to 2016 contributing to growth in our Business Units leveraged to oil and gas drilling. However, capital investment in major projects like the oil sands, pipelines and infrastructure declined significantly year over year, a trend we do not see changing in the near future. The net affect of these two factors was that our Oilfield Services segment did not generate any meaningful growth, principally due to the fact that the increase in drilling related activity simply only replaced the declines in specialized hauling and other services related to the construction of major capital projects.

For the balance of 2017 we continue to believe that the trends we have experienced in the first nine months remain in place. Revenue is expected to continue to grow primarily due to our acquisition strategy, a stable economic outlook and our expectation that the oil and gas industry is in the early stages of a recovery, especially as it relates to drilling activity. Capital investment in long lead major projects continues to be the negative for the industry. In terms of profitability both segments are expected to remain competitive in spite of some indications that the supply/demand fundamentals are exhibiting signs of tightening, most notably in terms of spot market pricing. Contract pricing, however, remains very competitive. In response to this trend we will move more of our capacity to the on-demand market, rather than commit to contracts at today's low pricing, a situation we do not believe is sustainable in the longer term.

In terms of acquisitions we continue to evaluate a number of opportunities. In the latest quarter we completed three transactions of competing and complementary businesses, along with an investment in Thrive Fluid Management Corp., a new start-up fluid management company focused on the oil and gas industry. Our balance sheet remains strong with approximately $125.0 million in cash, funds that can be allocated to grow our business. Our strategy continues to be focused on acquiring tuck-in acquisitions that we can integrate into our existing professionally managed Business Units, and where we can realize synergies and leverage our market position, systems and leadership.

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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 September 30, 2017, the Trucking/Logistics segment consisted of 14 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 Ltd.[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
RDK Transportation Co. Inc.[5]	Irregular Route Truckload & Specialized Transportation
Smook Contractors Ltd.	Civil Construction – Northern Manitoba
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 and Golden Transport Ltd., which was acquired on August 1, 2017
[3] Includes Motrux Inc., which was acquired on September 1, 2016
[4] Includes Kel-West Carriers Ltd., which was acquired on January 31, 2017
[5] Acquired September 1, 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. ("**Kleysen Group**"), Payne Transportation Ltd. ("**Payne Transportation**") and Tenold Transportation Ltd., respectively.

At September 30, 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

Repayment of Private Placement Debt

On September 27, 2017, we used cash and cash equivalents to repay U.S. $85.0 million of Series E Notes and $20.0 million of Series F Notes. The Series E and Series F Notes matured on September 27, 2017. The repayment of the Series E and Series F Notes will reduce our annual interest obligation by approximately $7.5 million when using an average Canadian to U.S. dollar exchange rate of $1.2855. Prior to the repayment of the Series E and Series F Notes, the weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt was 4.43 percent and 4.58 percent, respectively. The weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt after repaying the Series E and Series F Notes is 3.89 percent and 4.51 percent, respectively. After repaying the Series E and Series F Notes we had working capital of $181.4 million, which included $123.6 million of cash and cash equivalents.

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 nine month period ending September 30, 2017, we declared monthly dividends totalling $0.27 per Common Share (2016 – $0.47 per Common Share). At September 30, 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 October 16, 2017. We also declared a dividend of $0.03 per Common Share on October 20, 2017, to the holders of record at the close of business on October 31, 2017.

Acquisitions and Investments

2017

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. 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 Energy Services Corp. ("**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.

Golden Transport Ltd. – On August 1, 2017, Mullen Group acquired all of the issued and outstanding shares of Golden Transport Ltd. ("**Golden**") for cash consideration of $1.5 million. We recorded $1.5 million of cash used to acquire Golden on our condensed consolidated statement of cash flows. Golden is headquartered in Golden, British Columbia and provides transportation and logistics services primarily in western Canada. We acquired Golden as part of our strategy to invest in the transportation sector in western Canada. Golden has been 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.

RDK Transportation Co. Inc. – On September 1, 2017, Mullen Group acquired all of issued and outstanding shares of RDK Transportation Co. Inc. ("**RDK**") for cash consideration of $13.5 million. We recorded $13.5 million of cash used to acquire RDK on our condensed consolidated statement of cash flows. RDK is headquartered in Saskatoon, Saskatchewan and provides transportation and logistics services throughout Canada and the continental United States. We acquired RDK as part of our strategy to invest in the transportation sector in Canada and the United States. The financial results from RDK's operations are included in the Trucking/Logistics segment.

Winnipeg Moving & Storage – On October 1, 2017, we acquired all of the issued and outstanding shares of S. Krulicki & Sons Ltd., which operates under the brand names of Winnipeg Moving & Storage and Brandon Moving among others (collectively, "**Winnipeg Moving**") for cash consideration of approximately $6.0 million. Winnipeg Moving is a privately held company headquartered in Winnipeg, Manitoba that specializes in local, long distance and international residential and commercial moves. We acquired Winnipeg Moving as part of our strategy to invest in the transportation sector in Canada. Winnipeg Moving has been integrated into the operations of Gardewine Group Limited Partnership ("**Gardewine**"), whose financial results are included in the Trucking/Logistics segment. Due to the limited time between the acquisition of Winnipeg Moving and the preparation of the Interim Financial Statements, the value of the assets acquired and the liabilities assumed were not available to management as of the date of this report.

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

Equity Investments – On September 27, 2017, we invested $0.2 million to acquire a 30.0 percent equity interest in Thrive Fluid Management Corp. ("**Thrive**"), a fluid management company operating in the Grande Prairie, Alberta region. This investment is part of our strategy to invest alongside high quality entrepreneurs in companies that have growth potential. In conjunction with this investment, we also entered into a $2.5 million debenture agreement with Thrive.

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 condensed consolidated statement of cash flows, which consists of $1.3 million of total cash consideration net of $0.3 million of cash acquired and $0.9 million allocated to the repayment of shareholder loans. Motrux 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 condensed consolidated statement of cash flows. Formerly known as Central Water & Equipment Services Ltd., Northern Frontier provides hydrostatic-testing services to the pipeline industry and midstream sector, as well as fluid transfer and water management services to construction and mine sites, municipalities and the energy sector from terminals located in Saskatoon, Saskatchewan and Sherwood Park, Alberta. 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 could receive cash consideration of up to $2.0 million for achieving certain financial targets for the twelve month period ending September 30, 2017. We initially estimated the fair value of this contingent consideration to be $2.0 million, which was based upon management's best estimate of Caneda's pro forma operating results. The funds to settle this liability were set aside in an escrow account, which had been presented within cash and cash equivalents. Caneda did not achieve certain financial targets for the twelve month period ending September 30, 2017. As a result, we recognized a gain on contingent consideration of $2.0 million within other (income) expense in the condensed consolidated statement of comprehensive income. 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 condensed 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, 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 nine months of 2017, gross capital expenditures on a consolidated basis were $23.8 million as compared to $16.2 million in 2016. These capital expenditures were comprised of $18.8 million in the Trucking/Logistics segment (2016 – $14.2 million), $5.1 million in the Oilfield Services segment (2016 – $1.8 million) and $0.9 million in the Corporate Office (2016 – $0.5 million). Gross dispositions on a consolidated basis were $7.3 million in 2017 as compared to $4.2 million in 2016. These gross dispositions were comprised of $1.9 million in the Trucking/Logistics segment (2016 – $2.0 million), $5.9 million in the Oilfield Services segment (2016 – $2.5 million) and $0.6 million in the Corporate Office (2016 – nil).

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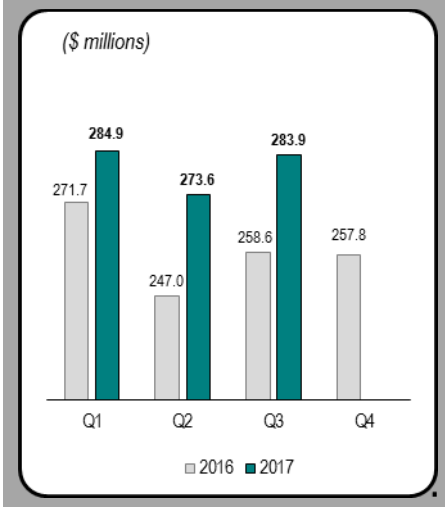
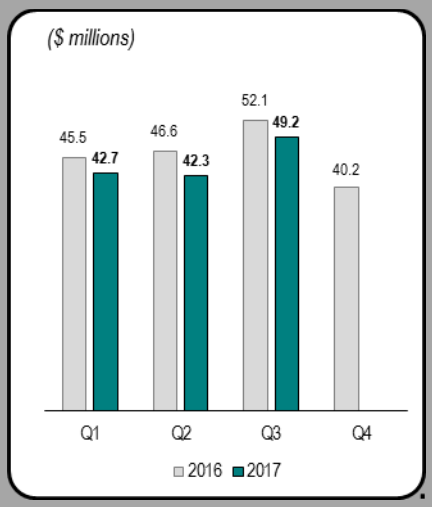
CONSOLIDATED FINANCIAL RESULTS – THREE MONTH PERIOD ENDED SEPTEMBER 30, 2017

Summary – Trailing Seven Quarters

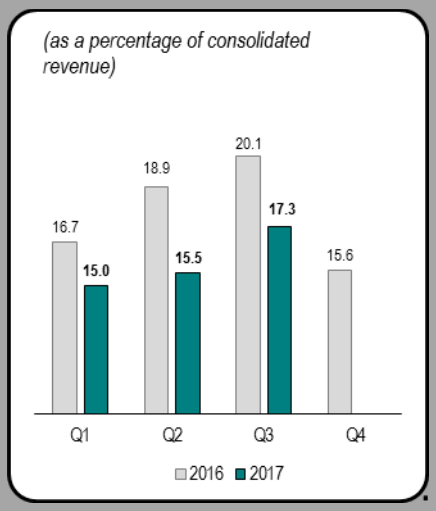
Consolidated Revenue



OIBDA – Adjusted[1]



Operating Margin – Adjusted[1]



Our Financial results for the third quarter reflect a number of factors, including:

- the completion of a series of eight acquisitions[2] that began in the fall of 2016, the primary reason the Trucking/Logistics segment generated record revenue;
- a year over year 80.0 percent increase in drilling activity in the Western Canadian Sedimentary Basin ("**WCSB**") contributing to improved performance in those Business Units leveraged to oil and gas drilling; and
- modest economic growth, including western Canada which benefitted from the recovery in the oil and gas sector.

These positive factors were offset by:

- In 2016 several of our Business Units benefitted from the development of major capital projects in western Canada, such as Suncor Fort Hills oil sands and North West Upgrader projects. In addition there was a major pipeline break in Saskatchewan, which required the services and rental equipment of our Canadian Dewatering group during the third quarter of last year. These projects have not been replaced in 2017.
- In September of 2017, the hurricanes Harvey and Irma disrupted the supply chain most notably in the state of Texas, a major supply source for the oil and gas industry.
- The proliferation of technology, e-commerce and online shopping has negatively impacted pricing and operating margins[1] in the Trucking/Logistics segment.

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

[2] Motrux Inc. (September 1, 2016), Northern Frontier Logistics LP (September 28, 2016), Caneda Transport Inc. (October 1, 2016), E.C.R. Enterprises Ltd. (December 1, 2016), Kel-West Carriers Ltd. (January 31, 2017), Envolve Energy Services Corp. (March 17, 2017), Golden Transport Ltd. (August 1, 2017), RDK Transportation Co. Inc. (September 1, 2017). Subsequently: S. Krulicki & Sons Ltd. operating as Winnipeg Moving & Storage (October 1, 2017).

Revenue

*Revenue is generated by the Corporation through its 30 Business Units. These Business Units are divided into two operating segments, namely Trucking/Logistics and Oilfield Services. The Business Units utilize a combination of company assets that are either owned by the Business Unit or leased under long-term operating leases ("**Company Equipment**"), owner operators who provide trucks and/or trailers and work exclusively for the Business Unit under annual contracts and subcontractors who own their own equipment and are used during times of peak demand (collectively, "**Contractors**").*

Q3 Consolidated Revenue by Segment						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**190.7**	**67.1**	173.3	66.6	17.4	10.0
Oilfield Services	**93.6**	**32.9**	86.8	33.4	6.8	7.8
Corporate and intersegment eliminations	**(0.4)**	**—**	(1.5)	—	1.1	—
Total	**283.9**	**100.0**	258.6	100.0	25.3	9.8

**as a percentage of pre-consolidated revenue*

Consolidated revenue in the third quarter increased by $25.3 million, or 9.8 percent, to $283.9 million as compared to $258.6 million in 2016. Revenue gains were the strongest in the Trucking/Logistics segment, which grew revenue by $17.4 million, or 10.0 percent, to $190.7 million. The Oilfield Services segment grew by $6.8 million, or 7.8 percent. Acquisitions accounted for $14.4 million of incremental revenue during the quarter: $12.5 million in the Trucking/Logistics segment and $1.9 million in the Oilfield Services segment.

Q3 Consolidated Revenue						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**195.9**	**69.0**	185.6	71.8	10.3	5.5
Contractors	**86.3**	**30.4**	71.0	27.5	15.3	21.5
Other	**1.7**	**0.6**	2.0	0.7	(0.3)	(15.0)
Total	**283.9**	**100.0**	258.6	100.0	25.3	9.8

Revenue generated by Company Equipment increased by $10.3 million, or 5.5 percent, to $195.9 million as compared to $185.6 million in 2016 and represented 69.0 percent of consolidated revenue in the current period as compared to 71.8 percent in 2016. Revenue related to Contractors increased by $15.3 million, or 21.5 percent, to $86.3 million as compared to $71.0 million in 2016 and represented 30.4 percent of consolidated revenue in the current period as compared to 27.5 percent in 2016. The higher proportion of revenue related to Contractors was as a result of the acquisition of several asset light businesses.

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.*

Q3 Consolidated Direct Operating Expenses *(unaudited)* *($ millions)*	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**52.1**	**26.6**	47.5	25.6	4.6	9.7
Fuel	**16.8**	**8.6**	15.2	8.2	1.6	10.5
Repairs and maintenance	**28.0**	**14.3**	24.8	13.4	3.2	12.9
Purchased transportation	**18.6**	**9.5**	16.5	8.9	2.1	12.7
Operating supplies	**10.7**	**5.5**	9.8	5.3	0.9	9.2
Other	**6.5**	**3.2**	6.2	3.3	0.3	4.8
	132.7	**67.7**	120.0	64.7	12.7	10.6
Contractors	**65.0**	**75.3**	53.7	75.6	11.3	21.0
Total	**197.7**	**69.6**	173.7	67.2	24.0	13.8

**as a percentage of respective Consolidated revenue*

DOE were $197.7 million in the third quarter as compared to $173.7 million in 2016. This increase of $24.0 million, or 13.8 percent, was attributable to the $25.3 million increase in consolidated revenue, however, rising costs due to inflationary pressures was also a contributing factor.

DOE associated with Company Equipment increased to $132.7 million as compared to $120.0 million in 2016. This increase of $12.7 million, or 10.6 percent, was attributable to the $10.3 million increase in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses increased by 3.0 percent to 67.7 percent as compared to 64.7 percent in 2016 due to a change in revenue mix, inflationary pressures that resulted in increased wages and benefits expense along with higher repairs and maintenance expense in the Oilfield Services segment.

Contractors expense in the third quarter increased to $65.0 million as compared to $53.7 million in 2016. This $11.3 million increase was attributable to the rise in Contractors revenue. As a percentage of revenue, Contractors expense declined by 0.3 percent to 75.3 percent as compared to 75.6 percent in 2016 due to the decreases experienced by the Trucking/Logistics segment being largely offset by the increases experienced by the Oilfield Services segment.

Selling and Administrative Expenses

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

Q3 Consolidated Selling and Administrative Expenses						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**21.0**	**7.4**	19.7	7.6	1.3	6.6
Communications, utilities and general supplies	**9.5**	**3.3**	8.0	3.1	1.5	18.8
Profit share	**3.2**	**1.1**	3.0	1.2	0.2	6.7
Foreign exchange	**4.9**	**1.7**	(1.7)	(0.7)	6.6	(388.2)
Stock-based compensation	**0.3**	**0.1**	0.2	0.1	0.1	50.0
Rent and other	**2.6**	**1.0**	2.1	0.8	0.5	23.8
Total	**41.5**	**14.6**	31.3	12.1	10.2	32.6

**as a percentage of total Consolidated revenue*

S&A expenses for the period increased to $41.5 million as compared to $31.3 million in 2016. The year over year increase of $10.2 million is primarily due to two factors: a $6.6 million increase in foreign exchange expense that relates to a year over year change in the Canadian dollar relative to the U.S. dollar; and $2.0 million of incremental expense associated with acquisitions. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $37.0 million, or 13.0 percent of revenue, as compared to $32.8 million, or 12.7 percent 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 foreign exchange gains and losses, other (income) expense and income taxes.*

Q3 Consolidated Operating Income Before Depreciation and Amortization[(1)]						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**30.7**	**68.7**	31.5	58.8	(0.8)	(2.5)
Oilfield Services	**19.8**	**44.3**	21.0	39.2	(1.2)	(5.7)
Corporate	**(5.8)**	**(13.0)**	1.1	2.0	(6.9)	(627.3)
Total	**44.7**	**100.0**	53.6	100.0	(8.9)	(16.6)

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

OIBDA[1] for the period was $44.7 million, or 15.7 percent of revenue, as compared to $53.6 million, or 20.7 percent, in 2016. The $8.9 million decrease represents a year over year decline of 16.6 percent and was primarily due to the $6.6 million negative variance in foreign exchange expense related to the change in value of the Canadian dollar vis-à-vis the U.S. dollar, as well as slightly lower OIBDA[1] in both segments.

Q3 Consolidated Operating Income Before Depreciation and Amortization – Adjusted[(1)]						
(unaudited)						
($ millions)	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
OIBDA[(1)]	**44.7**	**15.7**	53.6	20.7	(8.9)	(16.6)
Foreign exchange within the Corporate Office	**4.5**	**1.6**	(1.5)	(0.6)	6.0	(400.0)
OIBDA – adjusted[(1)]	**49.2**	**17.3**	52.1	20.1	(2.9)	(5.6)

(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".

Adjusting for changes in foreign exchange within the Corporate Office, OIBDA – adjusted[1] was $49.2 million as compared to $52.1 million in 2016, a decline of $2.9 million, or 5.6 percent. In terms of percentage of consolidated revenue, operating margin – adjusted[1] declined to 17.3 percent as compared to 20.1 percent in 2016 primarily due to the decline in margin in both segments as a result of a change in revenue mix due to the completion of certain large capital infrastructure projects in western Canada and a competitive pricing environment in both segments.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $16.8 million in the third quarter as compared to $17.6 million in 2016. This decrease of $0.8 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 $0.9 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.

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 $2.8 million in the third quarter as compared to $2.5 million in 2016. This increase mainly resulted from the additional amortization recorded on the intangible assets associated with the recent acquisitions, which was somewhat offset by certain intangible assets becoming fully amortized in the first quarter of 2017.

Finance Costs

Finance costs 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 Debentures that were issued on May 1, 2009;
  - various financing loans that are secured by specific operating equipment (collectively, the "**Various Financing Loans**");
  - borrowings on the Bank Credit Facility (as hereafter defined on page 48); and
  - accretion expense on debt;
- less any interest income generated from cash and cash equivalents.

Finance costs were $6.9 million in the third quarter as compared to $7.6 million in 2016. The decrease of $0.7 million was mainly attributable to a lower amount of interest expense being recorded on the U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar in the third quarter of 2017 as compared to 2016. Finance costs also decreased due to a greater amount of interest income being generated from cash and cash equivalents in 2017.

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

Net Foreign Exchange (Gain) Loss

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

The net foreign exchange gain was $11.3 million in the third quarter of 2017 as compared to a net foreign exchange loss of $5.0 million in 2016. The variance of $16.3 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net foreign exchange (gain) loss were as follows:

Net Foreign Exchange (Gain) Loss	**Three month periods ended September 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2017**	**2016**
Foreign exchange (gain) loss on U.S. $ debt	**(16.2)**	6.3
Foreign exchange loss (gain) on Cross-Currency Swaps	**4.9**	(1.3)
Net foreign exchange (gain) loss	**(11.3)**	5.0

Foreign Exchange (Gain) Loss on U.S. $ Debt

We recorded a foreign exchange gain of $16.2 million related to our U.S. dollar debt due to the $0.0497 strengthening of the Canadian dollar relative to the U.S. dollar during the third quarter of 2017. For the same period in 2016, we recorded a foreign exchange loss of $6.3 million due to the weakening of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange (gain) loss on the U.S. dollar debt is summarized in the following table:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Three month periods ended September 30**					
	2017			**2016**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Beginning – June 30	**314.0**	**1.2977**	**407.5**	314.0	1.2917	405.6
Less: Repayment of Series E Notes	**(85.0)**	**1.2412**	**(105.5)**	—	—	—
Subtotal	**229.0**	**—**	**302.0**	314.0	—	405.6
Ending – September 30	**229.0**	**1.2480**	**285.8**	314.0	1.3117	411.9
Foreign exchange (gain) loss on U.S. $ debt			**(16.2)**			6.3

Foreign Exchange Loss (Gain) 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 foreign exchange gain or loss relating to these Cross-Currency Swaps within net foreign exchange (gain) loss on the consolidated statement of comprehensive income, which is consistent with its underlying nature and purpose. The carrying value of these Cross-Currency Swaps are recorded within Derivatives in the consolidated statement of financial position.

We recorded a foreign exchange loss on Cross-Currency Swaps of $4.9 million in the third quarter of 2017 as compared to a $1.3 million gain in 2016. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Three month periods ended September 30**			
	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**	**2.6**	117.0	(0.8)
Cross-Currency Swap maturing October 22, 2026	**112.0**	**2.3**	112.0	(0.5)
Foreign exchange loss (gain) on Cross-Currency Swaps		**4.9**		(1.3)

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, the gain on fair value of equity investment and the gain on contingent consideration. Other income in the third quarter was $1.5 million, a $2.9 million negative variance when compared to the $4.4 million of other income recorded in 2016. The $2.9 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $4.5 million). We periodically invest in certain public corporations. We recorded a decrease in the fair value of investments of $0.1 million in the third quarter as compared to a $4.4 million increase in 2016. This $4.5 million negative variance was mainly due to a $4.5 million increase in the fair value of our investment in Logan International Inc. in the third quarter of 2016. During the current quarter we purchased $0.5 million of investments related to Trakopolis IoT Corp. and there were no investments sold. There were no investments purchased or sold in the third quarter of 2016.

Loss on Sale of Property, Plant and Equipment (variance of nil). We recognized a loss of $0.3 million on sale of property, plant and equipment on total consolidated proceeds on sale of $3.5 million in the third quarter as compared to a $0.3 million loss on sale of property, plant and equipment on total consolidated proceeds on sale of $1.2 million in 2016.

Earnings from Equity Investments (negative variance of $0.4 million). We recognized a $0.1 million loss in earnings from equity investments in the third quarter as compared to earnings of $0.3 million in 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. In the third quarter of 2017, we purchased $0.2 million of equity investments related to Thrive (2016 – nil). There were no equity investments sold in either the third quarter of 2017 or 2016. 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
Thrive Fluid Management Corp.	September 27, 2017

Gain on Contingent Consideration (positive variance of $2.0 million). In the third quarter of 2017, we recognized a $2.0 million gain on contingent consideration associated with our acquisition of Caneda. Caneda did not achieve certain financial targets for the twelve month period ending September 30, 2017, which resulted in a $2.0 million gain on contingent consideration.

Income Taxes

(unaudited) *($ millions)*	Three month periods ended September 30	
	2017	**2016**
Income before income taxes	**$ 31.0**	$ 25.3
Combined statutory tax rate	**27%**	27%
Expected income tax	**8.4**	6.8
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(1.5)**	0.7
Non-deductible (taxable) portion of the change in fair value of investments	**—**	(0.6)
Stock-based compensation expense	**0.1**	—
Changes in previously unrecognized deferred tax asset	**(1.5)**	0.7
Other	**(0.5)**	0.1
Income tax expense	**$ 5.0**	$ 7.7

Income tax expense was $5.0 million in the third quarter of 2017 as compared to $7.7 million in 2016. The decrease of $2.7 million was mainly attributable to the variance in net foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Three month periods ended September 30		
	2017	**2016**	**% Change**
Net income	**$ 26.0**	$ 17.6	47.7
Weighted average number of Common Shares outstanding	**103,654,316**	103,654,316	—
Earnings per share – basic	**$ 0.25**	$ 0.17	47.1

Net income increased to $26.0 million in the third quarter as compared to $17.6 million in 2016. The factors contributing to the increase in net income include:

- a $16.3 million positive variance in net foreign exchange;
- a $2.7 million decrease in income tax expense;
- a $2.0 million gain on contingent consideration;
- a $0.8 million decrease in depreciation of property, plant and equipment; and
- a $0.7 million decrease in finance costs.

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

- an $8.9 million decrease in OIBDA[1];
- a $4.5 million negative variance in the fair value of investments;
- a $0.4 million decrease in earnings from equity investments; and
- a $0.3 million increase in amortization of intangible assets.

Basic earnings per share increased to $0.25 in 2017 as compared to $0.17 in 2016. This increase resulted from the effect of the $8.4 million increase in net income. The weighted average number of Common Shares outstanding remained consistent at 103,654,316 in the third quarter of 2017 as compared to 2016.

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

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended September 30**	
	2017	**2016**
Income before income taxes	**$ 31.0**	$ 25.3
Add (deduct):		
Net foreign exchange (gain) loss	**(11.3)**	5.0
Change in fair value of investments	**0.1**	(4.4)
Gain on contingent consideration	**(2.0)**	—
Income before income taxes – adjusted	**17.8**	25.9
Income tax rate	**27%**	27%
Computed expected income tax expense	**4.8**	7.0
Net income – adjusted[1]	**13.0**	18.9
Weighted average number of Common Shares outstanding – basic	**103,654,316**	103,654,316
Earnings per share – adjusted[1]	**$ 0.12**	$ 0.18

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

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SEGMENTED INFORMATION – THREE MONTH PERIOD ENDED SEPTEMBER 30, 2017

Three month period ended September 30, 2017 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	**$**	**$**	**$**
Revenue	**190.7**	**93.6**	**(0.4)**	**283.9**
Direct operating expenses	**137.0**	**62.3**	**(1.6)**	**197.7**
Selling and administrative expenses	**23.0**	**11.5**	**7.0[2]**	**41.5**
Operating income before depreciation and amortization[1]	**30.7**	**19.8**	**(5.8)**	**44.7**

Three month period ended September 30, 2016 *(unaudited)* *($ millions)*	**Trucking /Logistics**	**Oilfield Services**	**Corporate and intersegment eliminations**	**Total**
	$	$	$	$
Revenue	173.3	86.8	(1.5)	258.6
Direct operating expenses	121.6	55.2	(3.1)	173.7
Selling and administrative expenses	20.2	10.6	0.5[3]	31.3
Operating income before depreciation and amortization[1]	31.5	21.0	1.1	53.6

[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".
[2] Includes a $4.5 million foreign exchange loss.
[3] Includes a $1.5 million foreign exchange gain.

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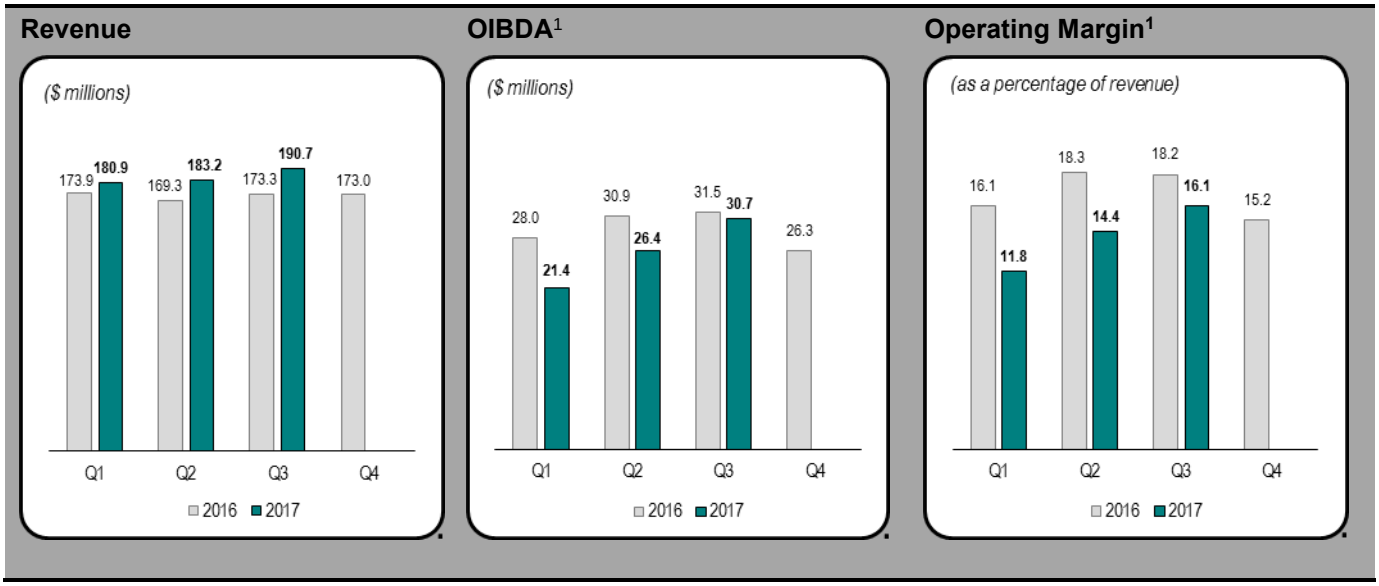
TRUCKING/LOGISTICS SEGMENT

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 September 30, 2017, the Trucking/Logistics segment was comprised of 14 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 89 terminals*
• *Logistics, Intermodal and Transload Services*	• *Requires less maintenance capital*
• *Bulk Hauling*	• *Primarily contract services*

Summary – Trailing Seven Quarters



General economic activity is the main driver of demand levels for our Trucking/Logistics segment. The Trucking/Logistics segment is also influenced by North American trade volumes and resulting demand for freight services. Early estimates indicate that Canada's real gross domestic product growth was flat in July after experiencing modest annualized growth of 1.1 percent in the second quarter of 2017. The U.S. economy appears to be growing at a healthy pace contributing to an increase in demand for North American freight services. It was estimated that the U.S. economy would expand by 3.3 percent in the third quarter, prior to the natural disasters that occurred in September 2017, which are expected to negatively impact growth in the short term, after growing by 3.1 percent in the second quarter.

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

Revenue

Q3 Revenue – Trucking/Logistics *(unaudited)* *($ millions)*	2017		2016		Change	
	$	**%**	**$**	**%**	**$**	**%**
Company	**128.3**	**67.3**	122.1	70.5	6.2	5.1
Contractors	**62.1**	**32.6**	50.9	29.4	11.2	22.0
Other	**0.3**	**0.1**	0.3	0.1	—	—
Total	**190.7**	**100.0**	173.3	100.0	17.4	10.0

The Trucking/Logistics segment generated $190.7 million of revenue in the third quarter, which was the highest level of segment revenue recorded for any quarterly period and represented 67.1 percent of pre-consolidated revenue as compared to 66.6 percent in 2016. Revenue increased by a $17.4 million, or 10.0 percent, to $190.7 million as compared to $173.3 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 various major capital projects. Excluding acquisitions, revenue in this segment was generally in line with prior year. Fuel surcharge revenue rose by $1.7 million to $13.9 million. Some of the specific factors that impacted revenue in the third quarter were the following:

- The regional LTL business improved by 8.9 percent during the quarter and benefitted from market share gains and the recovery in the Alberta economy, which is highly correlated to increase oil and gas industry fundamentals. The six regional LTL Business Units[1] generated revenue of $97.2 million as compared to $89.3 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 and the North West Upgrader projects. This revenue loss was more than offset by the $12.5 million in revenue generated by our recent acquisitions. The eight truckload services Business Units generated $97.0 million in revenue as compared to $87.4 million in 2016.

- Fuel surcharge revenue, excluding the effect of acquisitions, increased to $13.9 million as compared to $12.2 million in 2016.

Revenue related to Company Equipment increased by $6.2 million, or 5.1 percent, to $128.3 million as compared to $122.1 million in 2016 and represented 67.3 percent of segment revenue in the current period as compared to 70.5 percent in 2016. Revenue related to Contractors increased by $11.2 million, or 22.0 percent, to $62.1 million as compared to $50.9 million in 2016 and represented 32.6 percent of segment revenue in the current period as compared to 29.4 percent in 2016. The slight shift towards revenue related to Contractors was as a result of the acquisition of asset light operations in the past twelve months.

[1] Our six regional LTL Business Units consist of Gardewine, Courtesy Freight Systems Ltd., 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

Q3 Direct Operating Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2017		2016		Change	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**35.7**	**27.8**	32.7	26.8	3.0	9.2
Fuel	**12.5**	**9.7**	11.1	9.1	1.4	12.6
Repairs and maintenance	**15.8**	**12.3**	15.0	12.3	0.8	5.3
Purchased transportation	**18.4**	**14.3**	16.3	13.3	2.1	12.9
Operating supplies	**4.0**	**3.1**	3.8	3.1	0.2	5.3
Other	**4.4**	**3.6**	4.1	3.4	0.3	7.3
	90.8	**70.8**	83.0	68.0	7.8	9.4
Contractors	**46.2**	**74.4**	38.6	75.8	7.6	19.7
Total	**137.0**	**71.8**	121.6	70.2	15.4	12.7

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

DOE were $137.0 million in the third quarter as compared to $121.6 million in 2016. The increase of $15.4 million, or 12.7 percent, was directly related to the following factors:

- a $17.4 million, or 10.0 percent, rise in segment revenue;
- higher costs, the most notable being wages, purchased transportation and fuel expense;
- our most recent asset light acquisitions that have slightly higher DOE; 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 1.6 percent to 71.8 percent as compared to 70.2 percent in 2016.

DOE related to Company Equipment increased by $7.8 million, or 9.4 percent, to $90.8 million as compared to $83.0 million in 2016. In terms of a percentage of revenue, Company expenses increased by 2.8 percent to 70.8 percent as compared to 68.0 percent in 2016. These expenses were higher in both absolute and percentage terms due to an increase in purchased transportation expense at Gardewine, increased fuel costs associated with the year over year rise in crude oil prices and the effect of our recent acquisitions.

Contractors expense in the third quarter increased by $7.6 million to $46.2 million as compared to $38.6 million in 2016. This increase was generally in proportion to the $11.2 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased by 1.4 percent to 74.4 percent as compared to 75.8 percent in 2016 largely due to the completion of the Suncor Fort Hills oil sands and North West Upgrader projects.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Trucking/Logistics *(unaudited)* *($ millions)*	2017		2016		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**13.9**	**7.3**	12.7	7.3	1.2	9.4
Communications, utilities and general supplies	**5.3**	**2.8**	4.6	2.7	0.7	15.2
Profit share	**2.0**	**1.0**	2.0	1.2	—	—
Foreign exchange	**0.4**	**0.2**	(0.2)	(0.1)	0.6	(300.0)
Rent and other	**1.4**	**0.8**	1.1	0.6	0.3	27.3
Total	**23.0**	**12.1**	20.2	11.7	2.8	13.9

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

S&A expenses were $23.0 million in the third quarter as compared to $20.2 million in 2016. The increase of $2.8 million was primarily due to the $1.7 million of incremental S&A expenses associated with the acquisitions and the $0.6 million negative variance on foreign exchange. S&A expenses as a percentage of segment revenue increased slightly to 12.1 percent as compared to 11.7 percent in 2016.

Operating Income Before Depreciation and Amortization

OIBDA[1] for the third quarter decreased by $0.8 million, or 2.5 percent, to $30.7 million as compared to $31.5 million generated in the same period last year. Operating margin[1] decreased to 16.1 percent as compared to 18.2 percent in 2016. This 2.1 percent decrease in operating margin[1] was primarily due to:

- the loss of higher margin business associated with the completion of various major capital projects, most notably the Suncor Fort Hills oil sands and North West Upgrader projects;
- the lower margins generated by the recent acquisitions;
- the higher costs associated with operating Company Equipment, most notably wages and fuel; and
- competitive pricing pressures.

Capital Expenditures

Net capital expenditures[1] were $9.9 million in the third quarter, an increase of $6.9 million as compared to $3.0 million in 2016. The Trucking/Logistics segment had gross capital expenditures of $10.9 million and dispositions of $1.0 million for net capital expenditures[1] of $9.9 million in 2017. Gross capital expenditures mainly consisted of the purchase of replacement trucks and trailers within our LTL operations, as well as various pieces of operating equipment. In 2016 gross capital expenditures were $3.6 million and dispositions were $0.6 million for net capital expenditures[1] of $3.0 million.

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

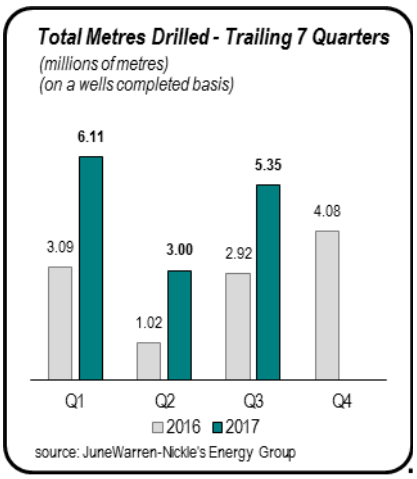
OILFIELD SERVICES SEGMENT

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 September 30, 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

One of the important industry statistics we follow is drilling activity. With changes in drilling techniques the industry 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. 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.



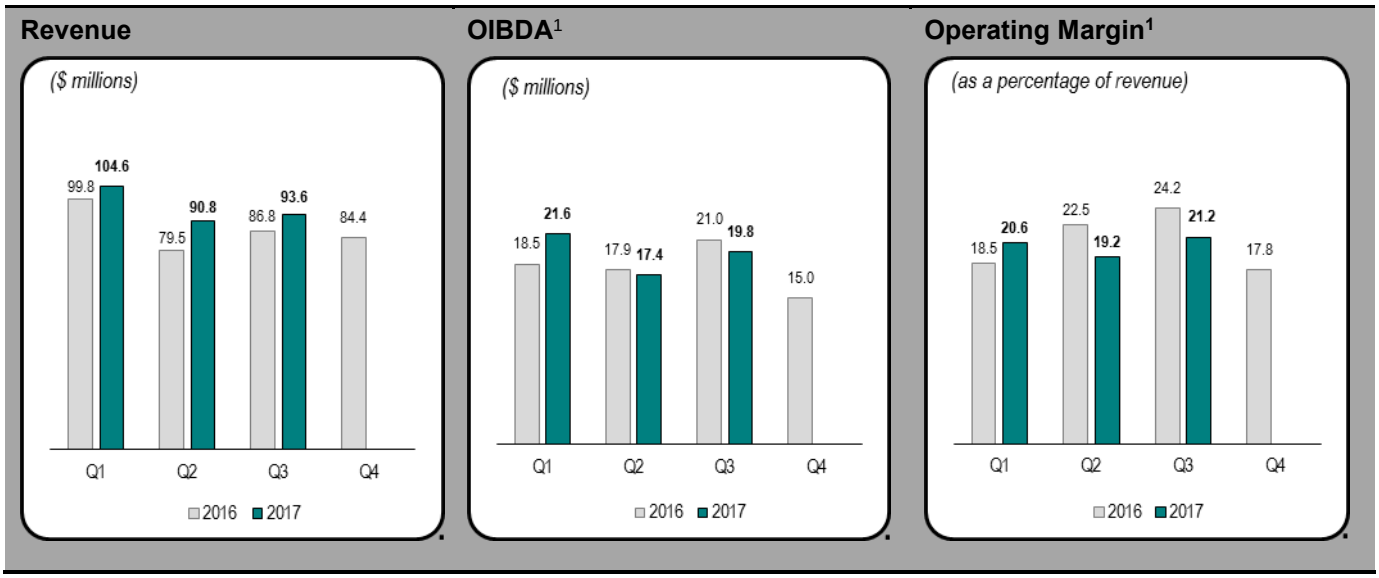
Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, increased in the quarter as compared to the prior year. Industry statistics indicate that the average active rig count was 208 rigs during 2017 as compared to 121 active rigs in 2016, an increase of 87 rigs or 71.9 percent. Total wells drilled in the quarter increased by 80.3 percent to 2,077 wells drilled as compared to 1,152 wells drilled in 2016. The length of metres drilled within such wells increased by 83.2 percent during the current quarter to 5.35 million metres as compared to 2.92 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 for the quarter was as follows:

	Three month periods ended September 30			
	2017	**2016**	**# Change**	**% Change**
British Columbia	**157**	69	88	127.5
Alberta	**997**	530	467	88.1
Saskatchewan	**843**	537	306	57.0
Manitoba	**80**	16	64	400.0
Northwest Territories	**—**	—	—	—
Total	**2,077**	1,152	925	80.3

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

Summary – Trailing Seven Quarters



Revenue

Q3 Revenue – Oilfield Services *(unaudited)* *($ millions)*	2017		2016		Change	
	$	%	$	%	$	%
Company	**67.8**	**72.4**	63.5	73.2	4.3	6.8
Contractors	**25.4**	**27.1**	22.7	26.2	2.7	11.9
Other	**0.4**	**0.5**	0.6	0.6	(0.2)	(33.3)
Total	**93.6**	**100.0**	86.8	100.0	6.8	7.8

Segment revenue increased by $6.8 million, or 7.8 percent, to $93.6 million as compared to $86.8 million in 2016 and represented 32.9 percent of pre-consolidated revenue as compared to 33.4 percent in 2016. The increase in revenue can be attributed to improved drilling activity being somewhat offset by the decline in demand for water management and heavy haul services. The specific factors that impacted revenue in the third quarter were:

- a $7.5 million, or 40.6 percent, increase in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity due to improved drilling activity in western Canada;
- a $2.7 million increase in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells due to improved industry conditions;
- a $0.4 million increase in revenue generated by those Business Units providing drilling services due to increased demand for conductor pipe setting services;
- incremental revenue of $1.9 million generated from the acquisition of Envolve; and
- a $5.7 million decrease in revenue generated by those Business Units providing specialized services due to a decrease in demand for pumps and related services as well as heavy haul services. In addition, there was a $0.7 million decline in pipeline hauling and stringing services revenue.

Revenue related to Company Equipment increased by $4.3 million, or 6.8 percent, to $67.8 million as compared to $63.5 million in 2016 and represented 72.4 percent of segment revenue in the current period as compared to 73.2 percent in 2016. Revenue related to Contractors increased by $2.7 million, or 11.9 percent, to $25.4 million as compared to $22.7 million in 2016 and represented 27.1 percent of segment revenue in the current period as compared to 26.2 percent in 2016.

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

Direct Operating Expenses

Q3 Direct Operating Expenses – Oilfield Services *(unaudited)* *($ millions)*	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**16.4**	**24.2**	14.8	23.3	1.6	10.8
Fuel	**4.3**	**6.3**	4.1	6.5	0.2	4.9
Repairs and maintenance	**12.3**	**18.1**	9.9	15.6	2.4	24.2
Purchased transportation	**0.3**	**0.4**	0.3	0.5	—	—
Operating supplies	**6.7**	**9.9**	6.0	9.4	0.7	11.7
Other	**2.1**	**3.2**	2.4	3.8	(0.3)	(12.5)
	42.1	**62.1**	37.5	59.1	4.6	12.3
Contractors	**20.2**	**79.5**	17.7	78.0	2.5	14.1
Total	**62.3**	**66.6**	55.2	63.6	7.1	12.9

**as a percentage of respective Oilfield Services revenue*

DOE were $62.3 million in the third quarter as compared to $55.2 million in 2016. The increase of $7.1 million, or 12.9 percent, was directly related to the following factors:

- a $6.8 million, or 7.8 percent, rise in segment revenue; and
- higher repairs and maintenance costs, the majority related to preparing equipment for the winter drilling season.

As a percentage of revenue these expenses increased by 3.0 percent to 66.6 percent as compared to 63.6 percent in 2016.

- DOE associated with Company Equipment in the third quarter increased to $42.1 million as compared to $37.5 million in 2016. The increase of $4.6 million, or 12.3 percent, was directly related to the $4.3 million, or 6.8 percent, increase in Company revenue. As a percentage of Company revenue these expenses increased by 3.0 percent to 62.1 percent as compared to 59.1 percent in 2016, primarily due to higher repairs and maintenance expense that rose by 2.5 percent as a percentage of revenue.

- Contractors expense in the third quarter increased by $2.5 million to $20.2 million as compared to $17.7 million in 2016. This increase was generally in line with the increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 79.5 percent as compared to 78.0 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 as well as the diminished availability of subcontractors during times of peak demand.

Selling and Administrative Expenses

Q3 Selling and Administrative Expenses – Oilfield Services *(unaudited)* *($ millions)*	2017		2016		Change	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**6.1**	**6.5**	6.0	6.9	0.1	1.7
Communications, utilities and general supplies	**3.2**	**3.4**	2.9	3.3	0.3	10.3
Profit share	**1.2**	**1.3**	1.0	1.2	0.2	20.0
Rent and other	**1.0**	**1.1**	0.7	0.8	0.3	42.9
Total	**11.5**	**12.3**	10.6	12.2	0.9	8.5

**as a percentage of total Oilfield Services revenue*

S&A expenses were $11.5 million in the third quarter as compared to $10.6 million in 2016. This $0.9 million increase was mainly attributable to the incremental S&A expenses associated with the acquisition of Envolve and increased profit share as a result of improved profitability. S&A expenses as a percentage of segment revenue remained relatively stable at 12.3 percent in comparison to 12.2 percent in 2016.

Operating Income Before Depreciation and Amortization

OIBDA[1] in the third quarter decreased by $1.2 million, or 5.7 percent, to $19.8 million as compared to $21.0 million in 2016. Operating margin[1] decreased to 21.2 percent in the third quarter from 24.2 percent in 2016 primarily due to higher DOE. Some of the specific factors that impacted OIBDA[1] in the third quarter were the following:

- a $3.1 million increase in those Business Units tied to drilling related activity;
- a $4.0 million decrease relating to those Business Units providing water management services or leveraged to the oil sands and pipeline construction projects;
- a $0.3 million decrease in those Business Units involved in the transportation of fluids and servicing of wells; and
- a $0.1 million decrease in those Business Units involved in drilling services including core drilling.

Capital Expenditures

Net capital expenditures[1] were $(0.1) million in the third quarter of 2017, a variance of $0.3 million as compared to $0.2 million in 2016. The Oilfield Services segment had gross capital expenditures of $2.3 million and dispositions of $2.4 million for net capital expenditures[1] of $(0.1) million in 2017. Gross capital expenditures mainly consisted of the purchase of property, plant and equipment for Envolve and Premay Pipeline Hauling L.P. ("**Premay Pipeline**"). The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2016 gross capital expenditures were $0.9 million and dispositions were $0.7 million for net capital expenditures[1] of $0.2 million.

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

CORPORATE

The Corporate Office provides support to the 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 $5.8 million in the third quarter of 2017 as compared to a profit of $1.1 million in 2016. The $6.9 million difference was mainly attributable to a $6.0 million negative variance in foreign exchange. In the third quarter of 2017, the Corporate Office recorded a foreign exchange loss of $4.5 million as compared to a foreign exchange gain of $1.5 million in 2016. The $4.5 million foreign exchange loss in 2017 was due to the Corporate Office holding an average of approximately U.S. $67.8 million of cash combined with a $0.0497 strengthening of the Canadian dollar relative to the U.S. dollar. Excluding the effects of foreign exchange, the Corporate Office experienced a loss of $1.3 million as compared to a loss of $0.4 million in 2016. The $0.9 million increase in loss was mainly due to a greater amount of facility repair costs in 2017 associated with the real property held within the Corporate Office and from some one-time insurance recoveries received in 2016.

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CONSOLIDATED FINANCIAL RESULTS – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017

Revenue

Consolidated Revenue by Segment **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Trucking/Logistics	**554.8**	**65.8**	516.5	66.0	38.3	7.4
Oilfield Services	**289.0**	**34.2**	266.1	34.0	22.9	8.6
Corporate and intersegment eliminations	**(1.4)**	**—**	(5.3)	—	3.9	—
Total	**842.4**	**100.0**	777.3	100.0	65.1	8.4

**as a percentage of pre-consolidated revenue*

Mullen Group's consolidated revenue in 2017 increased by $65.1 million, or 8.4 percent, to $842.4 million as compared to $777.3 million in 2016, due to a rise in revenue in both segments. Revenue increased by $13.2 million, $26.6 million and $25.3 million in the first, second and third quarters, respectively.

Revenue in the Trucking/Logistics segment improved by $38.3 million, or 7.4 percent, to $554.8 million as compared to $516.5 million in 2016, despite the completion of various major capital projects in western Canada last year. The improvement was due to our recent acquisitions, market share gains and an increase in demand for freight services in western Canada. Revenue in the Oilfield Services segment increased by $22.9 million, or 8.6 percent, to $289.0 million as compared to $266.1 million due to improved drilling activity in the WCSB.

Consolidated Revenue **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**584.1**	**69.3**	552.4	71.1	31.7	5.7
Contractors	**253.4**	**30.1**	220.8	28.4	32.6	14.8
Other	**4.9**	**0.6**	4.1	0.5	0.8	19.5
Total	**842.4**	**100.0**	777.3	100.0	65.1	8.4

Revenue related to Company Equipment increased by $31.7 million, or 5.7 percent, to $584.1 million as compared to $552.4 million in 2016 and represented 69.3 percent of consolidated revenue in the current period as compared to 71.1 percent in 2016. Revenue related to Contractors increased by $32.6 million, or 14.8 percent, to $253.4 million as compared to $220.8 million in 2016, and represented 30.1 percent of consolidated revenue in the current period as compared to 28.4 percent in 2016. The higher proportion of revenue related to Contractors was as a result of the acquisition of several asset light businesses.

Direct Operating Expenses

Consolidated Direct Operating Expenses **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**156.0**	**26.7**	144.8	26.2	11.2	7.7
Fuel	**54.8**	**9.4**	44.1	8.0	10.7	24.3
Repairs and maintenance	**81.6**	**14.0**	72.5	13.1	9.1	12.6
Purchased transportation	**56.2**	**9.6**	49.5	9.0	6.7	13.5
Operating supplies	**41.0**	**7.0**	33.9	6.1	7.1	20.9
Other	**18.8**	**3.2**	18.7	3.4	0.1	0.5
	408.4	**69.9**	363.5	65.8	44.9	12.4
Contractors	**190.6**	**75.2**	163.1	73.9	27.5	16.9
Total	**599.0**	**71.1**	526.6	67.7	72.4	13.7

**as a percentage of respective Consolidated revenue*

DOE in 2017 were $599.0 million as compared to $526.6 million in 2016. The increase of $72.4 million, or 13.7 percent, was attributable to the $65.1 million increase in consolidated revenue and rising costs. As a percentage of revenue these expenses increased by 3.4 percent to 71.1 percent as compared to 67.7 percent in 2016 due to a change in revenue mix as a result of the completion of several major capital projects, lower margin business associated with acquisitions and inflationary pressures in both segments.

In 2017 DOE associated with Company Equipment increased to $408.4 million as compared to $363.5 million in 2016. The increase of $44.9 million, or 12.4 percent, was attributable to the $31.7 million increase in Company revenue that occurred during the period. Both segments experienced higher costs, most notably increased fuel costs as a result of higher crude oil prices. As a percentage of Company revenue these expenses increased to 69.9 percent as compared to 65.8 percent in 2016. Fuel expense inflation accounted for the majority of the increase. Fuel expense increased by 1.4 percent of Company revenue to 9.4 percent, or $54.8 million, as compared to 8.0 percent or $44.1 million in 2016.

Contractors expense in 2017 increased to $190.6 million, as compared to $163.1 million in 2016. This $27.5 million increase was attributable to the $32.6 million rise in Contractors revenue and a rise in cost. As a percentage of Contractors revenue, Contractors expense increased by 1.3 percent to 75.2 percent as compared to 73.9 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, as well as a lack of availability of third party subcontractors during periods of peak demand.

Selling and Administrative Expenses

Consolidated Selling and Administrative Expenses **Nine month periods ended September 30** **(*unaudited*)** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**62.8**	**7.5**	61.8	8.0	1.0	1.6
Communications, utilities and general supplies	**29.0**	**3.4**	27.3	3.5	1.7	6.2
Profit share	**8.3**	**1.0**	9.6	1.2	(1.3)	(13.5)
Foreign exchange	**8.7**	**1.0**	6.0	0.8	2.7	45.0
Stock-based compensation	**0.7**	**0.1**	0.8	0.1	(0.1)	(12.5)
Rent and other	**7.7**	**0.9**	6.7	0.9	1.0	14.9
Total	**117.2**	**13.9**	112.2	14.5	5.0	4.5

**as a percentage of total Consolidated revenue*

S&A expenses increased to $117.2 million in 2017 as compared to $112.2 million in 2016. The majority of the $5.0 million increase, specifically $2.7 million, related to the increase in foreign exchange expense that relates to a year over year change in the Canadian dollar relative to the U.S. dollar. Excluding the effects of foreign exchange within the Corporate Office, S&A expenses were $109.2 million, or 13.0 percent of revenue, as compared to $106.5 million, or 13.7 percent in 2016. The $2.7 million increase was attributable to the $4.9 million of incremental S&A expenses associated with acquisitions being partially offset by aggressive cost cutting initiatives implemented in 2016.

Operating Income Before Depreciation and Amortization

Consolidated Operating Income Before Depreciation and Amortization[(1)] **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Trucking/Logistics	**78.5**	**62.2**	90.4	65.3	(11.9)	(13.2)
Oilfield Services	**58.8**	**46.6**	57.4	41.4	1.4	2.4
Corporate	**(11.1)**	**(8.8)**	(9.3)	(6.7)	(1.8)	19.4
Total	**126.2**	**100.0**	138.5	100.0	(12.3)	(8.9)

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

OIBDA[1] for the period was $126.2 million, or 15.0 percent of revenue, as compared to $138.5 million, or 17.8 percent, in 2016. The $12.3 million decrease represents a year over year decline of 8.9 percent and was due to the $11.9 million reduction in OIBDA[1] in the Trucking/Logistics segment and the increase in foreign exchange expense related to the change in value of the Canadian dollar vis-à-vis the U.S. dollar being partially offset by slightly higher OIBDA[1] in the Oilfield Services segment.

Consolidated Operating Income Before Depreciation and Amortization – Adjusted[(1)] **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
OIBDA[(1)]	**126.2**	**15.0**	138.5	17.8	(12.3)	(8.9)
Foreign exchange within the Corporate Office	**8.0**	**0.9**	5.7	0.8	2.3	40.4
OIBDA – adjusted[(1)]	**134.2**	**15.9**	144.2	18.6	(10.0)	(6.9)

[(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".

Adjusting for changes in foreign exchange within the Corporate Office, OIBDA – adjusted[1] was $134.2 million as compared to $144.2 million in 2016, a decline of $10.0 million, or 6.9 percent. In terms of percentage of consolidated revenue, operating margin – adjusted[1] declined to 15.9 percent as compared to 18.6 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 certain large capital infrastructure projects in western Canada, the acquisition of asset light businesses, which have lower margin but higher return on invested capital, and the competitive pricing environment. In addition, the Oilfield Services segment experienced margin erosion largely due to the change in revenue mix and the timing of large diameter pipeline construction projects.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was $49.5 million in the first nine months of 2017 as compared to $53.2 million in 2016. This decrease of $3.7 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 relatively consistent on a year over year basis. Depreciation in the Oilfield Services segment decreased by $3.6 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. Depreciation in the Trucking/Logistics segment remained consistent on a year over year basis.

Amortization of Intangible Assets

Amortization of intangible assets was $8.0 million in the first nine months of 2017 as compared to $11.4 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 on the acquisition of Hi-Way 9 and R. E. Line Trucking (Coleville) Ltd. becoming fully amortized in the second quarter of 2016 and the first quarter of 2017, respectively. These decreases were somewhat offset by the additional amortization recorded on the intangible assets associated with the recent acquisitions.

Finance Costs

Finance costs were $22.1 million in the first nine months of 2017 as compared to $24.7 million in 2016. This decrease of $2.6 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). Finance costs also decreased due to a greater amount of interest income being generated from cash and cash equivalents and from a lower amount of interest expense being recorded on our U.S. dollar debt as a result of the change in the value of the Canadian dollar relative to the U.S. dollar.

Net Foreign Exchange (Gain) Loss

The net foreign exchange gain was $23.0 million in the first nine months of 2017 as compared to a gain of $17.2 million in 2016. The components of net foreign exchange (gain) loss were as follows:

Net Foreign Exchange (Gain) Loss	**Nine month periods ended September 30**	
	CDN. $ Equivalent	
(unaudited) ***($ millions)***	**2017**	**2016**
Foreign exchange (gain) loss on U.S. $ debt	**(30.3)**	(22.7)
Foreign exchange loss (gain) on Cross-Currency Swaps	**7.3**	5.5
Net foreign exchange (gain) loss	**(23.0)**	(17.2)

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

Foreign Exchange (Gain) Loss on U.S. $ Debt

We recorded a foreign exchange gain of $30.3 million related to the Corporation's U.S. dollar debt due to the $0.0947 strengthening of the Canadian dollar relative to the U.S. dollar in the first nine months of 2017. For the same period in 2016 we recorded a foreign exchange gain of $22.7 million due to the change in value of the Canadian dollar relative to the U.S. dollar. The details of the foreign exchange gain on U.S. dollar debt is summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Nine month periods ended September 30**					
	2017			**2016**		
(unaudited) ***($ millions, except exchange rate amounts)***	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Beginning – January 1	**314.0**	**1.3427**	**421.6**	314.0	1.3840	434.6
Less: Repayment of Series E Notes	**(85.0)**	**1.2412**	**(105.5)**	—	—	—
Subtotal	**229.0**	**—**	**316.1**	314.0	—	434.6
Ending – September 30	**229.0**	**1.2480**	**285.8**	314.0	1.3117	411.9
Foreign exchange (gain) loss on U.S. $ debt			**(30.3)**			(22.7)

Foreign Exchange Loss (Gain) on Cross-Currency Swaps

We recorded a foreign exchange loss on Cross-Currency Swaps of $7.3 million in the first nine months of 2017 as compared to a $5.5 million loss in 2016. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Nine month periods ended September 30**			
	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**	**4.0**	117.0	3.2
Cross-Currency Swap maturing October 22, 2026	**112.0**	**3.3**	112.0	2.3
Foreign exchange loss (gain) on Cross-Currency Swaps		**7.3**		5.5

Other (Income) Expense

Other income was $2.8 million for the first nine months of 2017 as compared to $0.5 million in 2016. The $2.3 million positive variance was due to the factors set forth below:

Change in Fair Value of Investments (negative variance of $1.4 million). We recorded a decrease in the fair value of investments of $1.3 million in the first nine months of 2017 as compared to a $0.1 million increase in 2016. In 2017 we purchased $0.5 million of investments and there were no investments sold during the year. There were no investments purchased or sold during the first nine months of 2016.

Loss on Sale of Property, Plant and Equipment (positive variance of $0.5 million). We recognized a loss of $0.6 million on sale of property, plant and equipment on consolidated proceeds on sale of $7.3 million in the first nine months of 2017 as compared to a $1.1 million loss on consolidated proceeds on sale of $4.2 million in 2016. The $0.6 million loss on sale of property, plant and equipment in 2017 mainly resulted from the sale of older equipment in certain Business Units within the Trucking/Logistics segment.

Earnings from Equity Investments (negative variance of $0.3 million). We recognized $1.2 million of earnings from equity investments in the first nine months of 2017 as compared to $1.5 million in 2016. We purchased $0.2 million (2016 – nil) of equity investments in the first nine months of 2017. There were no equity investments sold in the first nine months of 2017 or 2016.

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.

Gain on Contingent Consideration (positive variance of $2.0 million). In the third quarter of 2017, we recognized a $2.0 million gain on contingent consideration associated with our acquisition of Caneda. Caneda did not achieve certain financial targets for the twelve month period ending September 30, 2017, which resulted in a $2.0 million gain on contingent consideration.

Income Taxes

(unaudited) *($ millions)*	Nine month periods ended September 30	
	2017	**2016**
Income before income taxes	**$ 72.4**	$ 66.9
Combined statutory tax rate	**27%**	27%
Expected income tax	**19.5**	18.1
Add (deduct):		
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(3.1)**	(2.3)
Stock-based compensation expense	**0.2**	0.2
Decrease in income tax due to changes in income tax rates	**(0.4)**	—
Changes in previously unrecognized deferred tax asset	**(3.1)**	(2.3)
Other	**(0.8)**	0.5
Income tax expense	**$ 12.3**	$ 14.2

Income tax expense was $12.3 million in the first nine months of 2017 as compared to $14.2 million in 2016. The decrease of $1.9 million was mainly attributable to the variance in net foreign exchange.

Net Income

(unaudited) *($ millions, except share and per share amounts)*	Nine month periods ended September 30		
	2017	**2016**	**% Change**
Net income	**$ 60.1**	$ 52.7	14.0
Weighted average number of Common Shares outstanding	**103,654,316**	97,657,691	6.1
Earnings per share – basic	**$ 0.58**	$ 0.54	7.4

Net income increased to $60.1 million in the first nine months of 2017 as compared to $52.7 million in 2016. The factors contributing to the increase in net income include:

- a $5.8 million positive variance in net foreign exchange;
- a $3.7 million decrease in depreciation of property, plant and equipment;
- a $3.4 million decrease in amortization of intangible assets;
- a $2.6 million decrease in finance costs;
- a $2.0 million gain on contingent consideration;
- a $1.9 million decrease in income tax expense;
- a $1.5 million gain on fair value of equity investment; and
- a $0.5 million decrease in the loss on sale of property, plant and equipment.

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

- a $12.3 million decrease in OIBDA[1];
- a $1.4 million negative variance in the fair value of investments; and
- a $0.3 million decrease in earnings from equity investments.

Basic earnings per share increased to $0.58 in 2017 as compared to $0.54 in 2016. This increase resulted from the effect of the $7.4 million increase in net income being partially offset by an increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 97,657,691 to 103,654,316, which was mainly due to the issuance of Common Shares from the Offering and the Private Placement (hereafter defined on page 45).

Net Income – Adjusted and Earnings per Share – Adjusted

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

(unaudited)	**Nine month periods ended September 30**	
($ millions, except share and per share amounts)	**2017**	**2016**
Income before income taxes	**$ 72.4**	$ 66.9
Add (deduct):		
Net foreign exchange (gain) loss	**(23.0)**	(17.2)
Change in fair value of investments	**1.3**	(0.1)
Gain on fair value of equity investment	**(1.5)**	—
Gain on contingent consideration	**(2.0)**	—
Income before income taxes – adjusted	**47.2**	49.6
Income tax rate	**27%**	27%
Computed expected income tax expense	**12.7**	13.4
Net income – adjusted[(1)]	**34.5**	36.2
Weighted average number of Common Shares outstanding – basic	**103,654,316**	97,657,691
Earnings per share – adjusted[(1)]	**$ 0.33**	$ 0.37

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

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

SEGMENTED INFORMATION – NINE MONTH PERIOD ENDED SEPTEMBER 30, 2017

Nine month period ended September 30, 2017 *(unaudited)* *($ millions)*	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	$	$	$	$
Revenue	**554.8**	**289.0**	**(1.4)**	**842.4**
Direct operating expenses	**408.8**	**195.4**	**(5.2)**	**599.0**
Selling and administrative expenses	**67.5**	**34.8**	**14.9**	**117.2**
Operating income before depreciation and amortization[(1)]	**78.5**	**58.8**	**(11.1)**	**126.2**

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

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

TRUCKING/LOGISTICS SEGMENT

Revenue

Revenue – Trucking/Logistics **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**370.3**	**66.7**	358.7	69.4	11.6	3.2
Contractors	**183.8**	**33.1**	157.2	30.4	26.6	16.9
Other	**0.7**	**0.2**	0.6	0.2	0.1	16.7
Total	**554.8**	**100.0**	516.5	100.0	38.3	7.4

The Trucking/Logistics segment revenue improved by $38.3 million, or 7.4 percent, to $554.8 million as compared to $516.5 million in 2016 and represented 65.8 percent of pre-consolidated revenue in 2017 as compared to 66.0 percent in 2016. Segment revenue increased as a result of the incremental revenue related to our recent acquisitions, market share gains and an increase in demand for freight services in western Canada. Revenue increased by $7.0 million, $13.9 million and $17.4 million in the first, second and third quarters, respectively. The specific factors that impacted revenue were:

- Our regional LTL business improved by 9.7 percent during the nine month period and benefitted from market share gains and the recovery in the Alberta economy, which is highly correlated to increase oil and gas industry fundamentals. The six regional LTL Business Units[1] generated revenue of $295.7 million as compared to $269.6 million in 2016.

[1] Although their primary service offering is LTL, they provide many other services including full-truckload, bulk and logistics services.

- Our eight truckload services Business Units generated $269.3 million in revenue as compared to $258.1 million in 2016 due to the $33.8 million of incremental revenue generated by our recent acquisitions being partially offset by the decline in revenue related to the completion of several major capital projects in western Canada, most notably the Suncor Fort Hills oil sands and the North West Upgrader projects.

- Fuel surcharge revenue, excluding the effect of acquisitions, increased by $9.2 million to $43.8 million as compared to $34.6 million in 2016.

Revenue related to Company Equipment increased by $11.6 million, or 3.2 percent, to $370.3 million as compared to $358.7 million in 2016 and represented 66.7 percent of segment revenue in the current period as compared to 69.4 percent in 2016. Revenue related to Contractors increased by $26.6 million, or 16.9 percent, to $183.8 million as compared to $157.2 million in 2016 and represented 33.1 percent of segment revenue in the current period as compared to 30.4 percent in 2016. The increase in the proportion of revenue related to Contractors was as a result of our most recent asset light acquisitions.

Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics
Nine month periods ended September 30

(unaudited) ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Company						
Wages and benefits	**103.3**	**27.9**	96.1	26.8	7.2	7.5
Fuel	**39.4**	**10.6**	31.6	8.8	7.8	24.7
Repairs and maintenance	**46.8**	**12.6**	43.2	12.0	3.6	8.3
Purchased transportation	**54.8**	**14.8**	47.7	13.3	7.1	14.9
Operating supplies	**14.7**	**4.0**	15.2	4.2	(0.5)	(3.3)
Other	**12.9**	**3.5**	12.0	3.4	0.9	7.5
	271.9	**73.4**	245.8	68.5	26.1	10.6
Contractors	**136.9**	**74.5**	115.9	73.7	21.0	18.1
Total	**408.8**	**73.7**	361.7	70.0	47.1	13.0

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

DOE were $408.8 million in 2017 as compared to $361.7 million in 2016. The increase of $47.1 million, or 13.0 percent, was directly related to the following factors:

- a $38.3 million, or 7.4 percent, increase in segment revenue;
- a change in revenue mix associated with the completion of major capital projects in western Canada;
- higher costs, the most notable being fuel expense and purchased transportation; and
- our most recent acquisitions that have slightly higher DOE as a percentage of revenue.

As a result of these factors, expenses expressed as a percentage of revenue increased by 3.7 percent to 73.7 percent as compared to 70.0 percent in 2016.

DOE related to Company Equipment increased by $26.1 million, or 10.6 percent, to $271.9 million as compared to $245.8 million in 2016. In terms of a percentage of revenue, Company expenses increased by 4.9 percent to 73.4 percent as compared to 68.5 percent in 2016. These expenses were higher in both absolute and percentage terms due to the change in revenue mix, the effect of our recent acquisitions, an increase in purchased transportation expense and increased fuel costs associated with the year over year rise in diesel prices.

Contractors expense in 2017 increased by $21.0 million to $136.9 million as compared to $115.9 million in 2016. This increase was generally in line with the $26.6 million increase in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased slightly to 74.5 percent as compared to 73.7 percent in 2016.

Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%***	**$**	**%***	**$**	**%**
Wages and benefits	**41.6**	**7.5**	38.7	7.5	2.9	7.5
Communications, utilities and general supplies	**16.7**	**3.0**	15.8	3.1	0.9	5.7
Profit share	**4.6**	**0.8**	6.6	1.3	(2.0)	(30.3)
Foreign exchange	**0.6**	**0.1**	0.3	0.1	0.3	100.0
Rent and other	**4.0**	**0.8**	3.0	0.5	1.0	33.3
Total	**67.5**	**12.2**	64.4	12.5	3.1	4.8

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

S&A expenses were $67.5 million in 2017 as compared to $64.4 million in 2016. The increase of $3.1 million was primarily due to the $4.1 million of incremental S&A expenses associated with the acquisitions being offset by the $2.0 million reduction in profit share expense. S&A expenses as a percentage of segment revenue remained generally constant at 12.2 percent as compared to 12.5 percent in 2016.

Operating Income Before Depreciation and Amortization

OIBDA[1] in 2017 decreased by $11.9 million, or 13.2 percent, to $78.5 million as compared to $90.4 million generated in 2016. Operating margin[1] decreased to 14.1 percent as compared to 17.5 percent in 2016. This 3.4 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 and the North West Upgrader projects;
- 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 $16.9 million in the first nine months of 2017, an increase of $4.7 million as compared to $12.2 million in 2016. The Trucking/Logistics segment had gross capital expenditures of $18.8 million and dispositions of $1.9 million for net capital expenditures[1] of $16.9 million in 2017. Gross capital expenditures mainly consisted of the purchase of replacement trucks and trailers within our LTL operations, as well as various pieces of operating equipment. In 2016 gross capital expenditures were $14.2 million and dispositions were $2.0 million for net capital expenditures[1] of $12.2 million.

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

OILFIELD SERVICES SEGMENT

Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, improved in 2017 as compared to the prior year. Industry statistics indicate that the average active rig count was 207 rigs during 2017 as compared to 111 active rigs in 2016, an increase of 96 rigs or 86.5 percent. In addition, total wells drilled in 2017 increased by 110.1 percent to 5,414 wells drilled as compared to 2,577 wells drilled in 2016. The length of metres drilled within such wells increased by 105.7 percent during the current period to 14.46 million metres as compared to 7.03 million metres in 2016. The number of wells completed on a geographic basis for the nine month periods was as follows:

	Nine month periods ended September 30			
	2017	**2016**	**# Change**	**% Change**
British Columbia	**452**	241	211	87.6
Alberta	**2,753**	1,238	1,515	122.4
Saskatchewan	**2,034**	1,041	993	95.4
Manitoba	**175**	57	118	207.0
Northwest Territories	**—**	—	—	—
Total	**5,414**	2,577	2,837	110.1

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

Revenue

Revenue – Oilfield Services **Nine month periods ended September 30** ***(unaudited)*** ***($ millions)***	**2017**		**2016**		**Change**	
	$	**%**	**$**	**%**	**$**	**%**
Company	**213.9**	**74.0**	193.7	72.8	20.2	10.4
Contractors	**73.8**	**25.5**	71.0	26.7	2.8	3.9
Other	**1.3**	**0.5**	1.4	0.5	(0.1)	(7.1)
Total	**289.0**	**100.0**	266.1	100.0	22.9	8.6

Segment revenue increased by $22.9 million, or 8.6 percent, to $289.0 million as compared to $266.1 million in 2016 and represented 34.2 percent of pre-consolidated revenue as compared to 34.0 percent of pre-consolidated revenue in 2016. This increase in revenue was attributable to improved drilling activity in the WCSB being somewhat offset by the decline in demand for large diameter pipeline hauling and stringing services due to fewer pipeline construction projects. Revenue increased by $4.8 million, $11.3 million and $6.8 million in the first, second and third quarters, respectively. Specific factors affecting the Oilfield Services segment's year to date revenue were:

- a $20.3 million increase in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- incremental revenue of $5.0 million generated from the acquisition of Envolve;
- a $2.3 million increase in revenue generated by those Business Units providing drilling services including core drilling for the oil sands;
- a $4.4 million decrease in revenue resulting from the combined effect of a $13.3 million reduction in pipeline hauling and stringing as well as lower demand for heavy haul transportation services and the $8.9 million increase in pump sales and related revenue; and
- a $0.3 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells.

Direct Operating Expenses

Direct Operating Expenses – Oilfield Services Nine month periods ended September 30 *(unaudited)* *($ millions)*	2017		2016		Change	
	$	%*	$	%*	$	%
Company						
Wages and benefits	**52.7**	**24.6**	48.7	25.1	4.0	8.2
Fuel	**15.4**	**7.2**	12.5	6.5	2.9	23.2
Repairs and maintenance	**34.9**	**16.3**	29.3	15.1	5.6	19.1
Purchased transportation	**1.4**	**0.7**	1.9	1.0	(0.5)	(26.3)
Operating supplies	**26.4**	**12.3**	18.7	9.7	7.7	41.2
Other	**6.6**	**3.1**	6.7	3.4	(0.1)	(1.5)
	137.4	**64.2**	117.8	60.8	19.6	16.6
Contractors	**58.0**	**78.6**	54.6	76.9	3.4	6.2
Total	**195.4**	**67.6**	172.4	64.8	23.0	13.3

**as a percentage of respective Oilfield Services revenue*

DOE were $195.4 million in 2017 as compared to $172.4 million in 2016. The increase of $23.0 million, or 13.3 percent, was directly related to the following factors:

- a $22.9 million, or 8.6 percent, rise in segment revenue;
- a change in revenue mix associated with the completion of certain large diameter pipeline projects; and
- higher costs, the most notable being operating supplies as well as fuel, repairs and maintenance.

As a percentage of revenue these expenses increased by 2.8 percent to 67.6 percent as compared to 64.8 percent in 2016 largely as a result of the change in revenue mix and inflationary cost pressures.

In 2017 DOE associated with Company Equipment increased by $19.6 million, or 16.6 percent, to $137.4 million as compared to $117.8 million in 2016. This increase was directly related to the $20.2 million increase in Company revenue. As a percentage of Company revenue these expenses increased by 3.4 percent to 64.2 percent as compared to 60.8 percent in 2016 primarily due to Canadian Dewatering's increased operating supplies expense and, to a lesser degree, higher repairs and maintenance expense experienced by all Business Units being partially offset by a slight reduction in wages and benefits expense.

Contractors expense in 2017 increased to $58.0 million, as compared to $54.6 million in 2016. This $3.4 million increase was directly related to the rise in Contractors revenue and rising costs. As a percentage of Contractors revenue, Contractors expense increased to 78.6 percent as compared to 76.9 percent due to the effect of the competitive price environment and rate adjustments, particularly by those Business Units involved in the transportation of fluids and servicing of wells.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services Nine month periods ended September 30 *(unaudited)* *($ millions)*	2017		2016		Change	
	$	%*	$	%*	$	%
Wages and benefits	**18.3**	**6.3**	20.7	7.8	(2.4)	(11.6)
Communications, utilities and general supplies	**10.1**	**3.5**	9.7	3.6	0.4	4.1
Profit share	**3.7**	**1.3**	3.0	1.1	0.7	23.3
Rent and other	**2.7**	**0.9**	2.9	1.1	(0.2)	(6.9)
Total	**34.8**	**12.0**	36.3	13.6	(1.5)	(4.1)

**as a percentage of total Oilfield Services revenue*

S&A expenses in 2017 decreased by $1.5 million to $34.8 million as compared to $36.3 million in 2016 primarily due to the $2.4 million decrease in wages and benefits expense as well as various cost control initiatives. S&A expenses as a percentage of segment revenue decreased by 1.6 percent to 12.0 percent due to the overall fixed nature of these expenses relative to the $22.9 million increase in segment revenue and aggressive cost cutting measures undertaken in 2016.

Operating Income Before Depreciation and Amortization

OIBDA[1] in 2017 increased by $1.4 million, or 2.4 percent, to $58.8 million. OIBDA[1] increased by $3.1 million in the first quarter and then declined by $0.5 million and $1.2 million in the second and third quarters, respectively. The $1.4 million year over year increase can be attributed to the following:

- a $10.9 million increase from Business Units tied to drilling related activity;
- a $0.5 million increase in those Business Units involved in the transportation of fluids and servicing of wells;
- a $0.4 million increase from Business Units providing drilling services; and
- a $10.4 million decrease relating to those Business Units leveraged to the oil sands and pipeline construction projects.

OIBDA[1] represented as a percentage of segment revenue, decreased to 20.3 percent in 2017 as compared to 21.6 percent in 2016. The 1.3 percent decrease in operating margin[1] was due to the increase in DOE as a percentage of segment revenue largely due to the change in revenue mix and to Canadian Dewatering's increased operating supplies expense related to the increased cost of sales on pumps and accessories.

Capital Expenditures

Net capital expenditures[1] were $(0.7) million in the first nine months of 2017, consistent with the $(0.7) million in 2016. The Oilfield Services segment had gross capital expenditures of $5.1 million and dispositions of $5.8 million for net capital expenditures[1] of $(0.7) million in 2017. Gross capital expenditures mainly consisted of purchasing operating equipment for Canadian Dewatering, Premay Pipeline and Envolve. The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2016 gross capital expenditures were $1.8 million and dispositions were $2.5 million for net capital expenditures[1] of $(0.7) million.

CORPORATE

The Corporate Office recorded a loss of $11.1 million in the first nine months of 2017 as compared to a loss of $9.3 million in 2016. The $1.8 million increase in loss was mainly attributable to a $2.3 million negative variance in foreign exchange. In the first nine months of 2017, the Corporate Office recorded a foreign exchange loss of $8.0 million as compared to a foreign exchange loss of $5.7 million in 2016. The $8.0 million foreign exchange loss in 2017 was due to the Corporate Office holding an average of approximately U.S. $71.9 million of cash combined with a $0.0947 strengthening of the Canadian dollar relative to the U.S. dollar. Excluding the effects of foreign exchange, the Corporate Office experienced a loss of $3.1 million as compared to a loss of $3.6 million in 2016. The reduction of $0.5 million was mainly due to the impact of cost control measures and from additional income generated from real estate holdings.

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

CAPITAL RESOURCES AND LIQUIDITY

Consolidated Cash Flow Summary

(unaudited) *($ millions)*	Nine month periods ended September 30			
		2017		**2016**
Net cash from operating activities	**$**	**83.8**	$	127.8
Net cash (used in) from financing activities		**(177.7)**		6.2
Net cash used in investing activities		**(45.4)**		(14.6)
Change in cash and cash equivalents		**(139.3)**		119.4
Effect of exchange rate fluctuations on cash held		**(7.4)**		(5.3)
Cash and cash equivalents, beginning of period		**270.3**		147.2
Cash and cash equivalents, end of period	**$**	**123.6**	$	261.3

Sources and Uses of Cash

Mullen Group continues to generate cash in excess of its operating needs by generating $83.8 million in the first nine months of 2017 as compared to $127.8 million in 2016 primarily due to changes in non-cash working capital items. Net cash used in financing activities in 2017 was $177.7 million as compared to generating $6.2 million of net cash from financing activities in 2016. The $183.9 million year over year variance was mainly due to the repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes on September 27, 2017 and from raising $153.1 million in 2016 by virtue of closing the May 17, 2016 bought deal public offering (the "**Offering**") and the non-brokered private placement (the "**Private Placement**"). The proceeds from the Offering and the Private Placement was somewhat offset by the repayment of the Series C ($70.0 million) Notes in the first quarter of 2016. Net cash used in investing activities increased by $30.8 million due to the 2017 acquisitions of Envolve, Kel-West, Golden and RDK. Specific changes in cash flow are set forth below.

Cash From Operating Activities

Net cash from operating activities decreased to $83.8 million in the first nine months of 2017 as compared to $127.8 million in 2016. The decrease of $44.0 million, or 34.4 percent was mainly due to a $32.8 million increase in cash used in non-cash working capital items, a $12.3 million reduction in OIBDA[1] and a $0.7 million increase in cash taxes paid.

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

Changes in Non-Cash Working Capital Items from Operating Activities *(unaudited)* *($ millions)*	Nine month periods ended September 30		
	2017	**2016**	**Variance**
	$	**$**	**$**
Sources (uses) of cash			
Trade and other receivables	**(31.5)**	(4.6)	(26.9)
Inventory	**(2.5)**	(0.5)	(2.0)
Prepaid expenses	**(4.2)**	(1.8)	(2.4)
Accounts payable and accrued liabilities	**9.7**	11.2	(1.5)
Total sources (uses) of cash from non-cash working capital items	**(28.5)**	4.3	(32.8)

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

In the first nine months of 2017 we continued to fund growth and used $28.5 million of cash from changes in non-cash working capital items from operating activities as compared to generating $4.3 million of cash in 2016. This $32.8 million variance was mainly due to the following factors.

- An additional $26.9 million of cash was used from trade and other receivables that resulted from the combined effect of a $31.5 million use of cash in 2017 as compared to a $4.6 million use of cash in 2016.

- An additional $2.4 million of cash was used from prepaid expenses that resulted from the combined effect of a $4.2 million use of cash in 2017 as compared to a $1.8 million use of cash in 2016.

- An additional $2.0 million of cash was used from inventory that resulted from the combined effect of a $2.5 million use of cash in 2017 as compared to a $0.5 million use of cash in 2016.

- An additional $1.5 million of cash was used from accounts payable and accrued liabilities that resulted from the combined effect of a $9.7 million source of cash in 2017 as compared to an $11.2 million source of cash in 2016.

Cash Used In Financing Activities

Net cash used in financing activities was $177.7 million in the first nine months of 2017 as compared to generating $6.2 million in 2016. This $183.9 million variance was mainly due to the factors set forth below.

- A $55.4 million increase in the repayment of long-term debt due to the repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes in 2017 as compared to the repayment of the Series C ($70.0 million) Notes in the first quarter of 2016.

- In 2016 there was $153.1 million of cash generated from closing the Offering and the Private Placement.

Somewhat offsetting these items were the following:

- A $22.9 million reduction in dividends paid to shareholders in the first nine months of 2017 as compared to 2016 due to a decrease in the monthly dividend.

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

- A $35.0 million increase in cash was obtained from borrowings in the first quarter of 2016 under the Bank Credit Facility (as hereafter defined on page 48), which was subsequently repaid in the second quarter of 2016.

Cash Used In Investing Activities

Net cash used in investing activities increased to $45.4 million in the first nine months of 2017 as compared to $14.6 million in 2016. This $30.8 million increase was mainly due to the factors set forth below.

- A $27.1 million increase in acquisition costs due to the 2017 acquisitions of Envolve, Kel-West, Golden and RDK as compared to the 2016 acquisitions of Motrux and Northern Frontier.

- A $4.5 million increase in net capital expenditures[1]. In the first nine months of 2017 net capital expenditures[1] were $16.5 million as compared to $12.0 million in 2016.

- A $1.5 million increase in other assets due to the $2.5 million debenture agreement with Thrive.

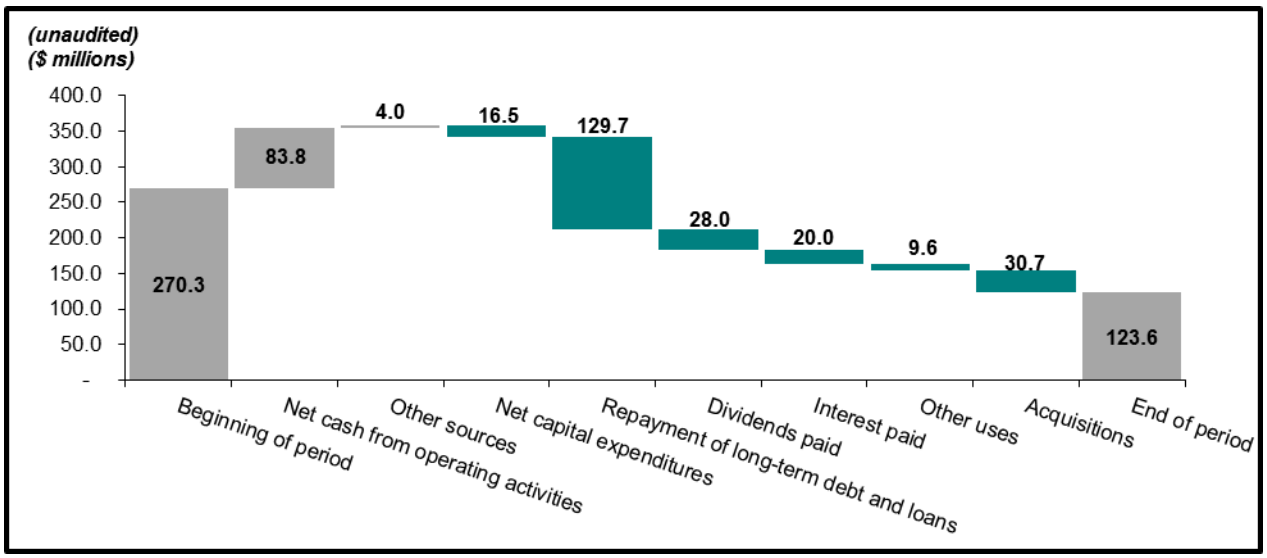
Somewhat offsetting these items was the following:

- A $0.8 million increase in interest received on cash and cash equivalents.

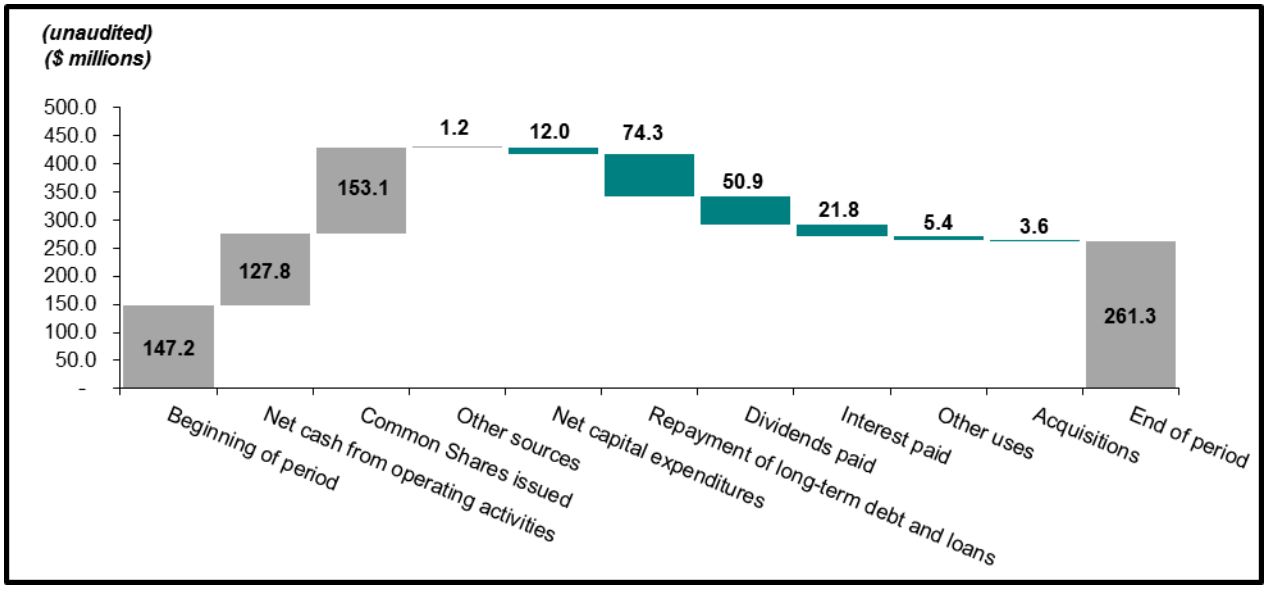
[1] Refer to the section entitled "Glossary of Terms and Reconciliation of Non-GAAP and Additional GAAP Terms".

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

Nine month period ended September 30, 2017



Nine month period ended September 30, 2016



In addition to the $83.8 million (2016 – $127.8 million) of net cash from operating activities, we also received $4.0 million (2016 – $1.2 million) of cash from other sources, which mainly consisted of interest income generated on cash and cash equivalents. Cash was used to fund acquisitions of $30.7 million (2016 – $3.6 million), repay long-term debt and loans of $129.7 million (2016 – $74.3 million), pay dividends totalling $28.0 million (2016 – $50.9 million), incur net capital expenditures[1] of $16.5 million (2016 – $12.0 million) and pay interest obligations of $20.0 million (2016 – $21.8 million). We also had $9.6 million (2016 – $5.4 million) of other uses, which mainly consisted of the effect of exchange rate fluctuations on U.S. dollar cash held. In 2016 we received $153.1 million of cash upon closing the Offering and the Private Placement.

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

Working Capital

At September 30, 2017, we had $181.4 million (December 31, 2016 – $243.1 million) of working capital, which included $123.6 million (December 31, 2016 – $270.3 million) of cash and cash equivalents, of which $6.6 million was denominated in U.S. currency. Included within non-cash working capital is $83.7 million of current portion of long-term debt, which is mainly comprised of the Series D ($70.0 million) Notes and the current portion of the Debentures. The Series D Notes mature on June 30, 2018 and the Debentures mature on July 1, 2018. The decrease in non-cash working capital mainly resulted from the repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes.

In addition to the $181.4 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 September 30, 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 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 September 30, 2017, we had net debt[1] outstanding of $273.9 million, (December 31, 2016 – $316.3 million), which consisted of total debt of $539.0 million (December 31, 2016 – $695.7 million) less working capital (excluding the current portion of long-term debt) of $265.1 million (December 31, 2016 – $379.4 million). The repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes along with 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 September 30, 2017, and December 31, 2016:

		September 30, 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 - repaid September 27, 2017	5.90%	**—**	**—**	85.0	114.1	**(114.1)**
Series F - repaid September 27, 2017	5.47%	**—**	**—**	—	20.0	**(20.0)**
Series G - matures October 22, 2024	3.84%	**117.0**	**146.0**	117.0	157.1	**(11.1)**
Series H - matures October 22, 2026	3.94%	**112.0**	**139.8**	112.0	150.4	**(10.6)**
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%	**—**	**1.4**	—	3.0	**(1.6)**
Less:						
Unamortized debt issuance costs		**—**	**(1.6)**	—	(2.2)	**0.6**
Long-term debt (including the current portion)		**229.0**	**526.6**	314.0	683.4	**(156.8)**
Debentures - debt component	10.0%	**—**	**12.4**	—	12.3	**0.1**
Total debt		**$ 229.0**	**$ 539.0**	$ 314.0	$ 695.7	**$ (156.7)**
Less:						
Working capital (excluding the current portion of long-term debt)			**265.1**		379.4	**(114.3)**
Net debt[(2)]			**$ 273.9**		$ 316.3	**$ (42.4)**

[(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 our recent acquisitions 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	September 30 2017	June 30 2017	March 31 2017	December 31 2016
Total net debt[(1)]	$ 431.8	$ 442.7	$ 460.0	$ 435.0
Operating cash flow	$ 172.0	$ 180.8	$ 186.8	$ 183.8
Total net debt[(1)] to operating cash flow	2.51:1	2.45:1	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	September 30 2017	June 30 2017	March 31 2017	December 31 2016
Private Placement Debt Covenants					
(a) Total net debt[(1)] to operating cash flow cannot exceed	3.50:1	2.51:1	2.45:1	2.46:1	2.37:1
(b) Total earnings available for fixed charges to total fixed charges cannot be less than	1.75:1	4.60:1	4.79:1	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 2.51:1 at September 30, 2017. Assuming the $431.8 million of total net debt[1] remains constant, we would need to generate approximately $123.4 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. Cash as at September 30, 2017, was $123.6 million, 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 0.54:1 at September 30, 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 $156.7 million decrease in total debt (including the current portion) and a $32.8 million increase in equity as compared to December 31, 2016. The $156.7 million decrease in total debt was mainly due to the repayment of the Series E (U.S. $85.0 million) and Series F ($20.0 million) Notes and from the effect of the $30.3 million foreign exchange gain on the Corporation's U.S. dollar debt. The $32.8 million increase in equity mainly resulted from the $60.1 million of net income being recognized in the first nine months of 2017, which was somewhat offset by the $28.0 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 September 30, 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 September 30, 2017	**103,654,316**	**$**	**933.3**

At September 30, 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 nine months 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)			**September 30, 2017**				**December 31, 2016**		
Year of Maturity	**Nominal Interest Rate**		**Face Value**		**Carrying Amount**		**Face Value**		**Carrying Amount**
2018	10%	**$**	**12.4**	**$**	**12.4**	$	12.4	$	12.3

As at September 30, 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	(75,000)		(20.42)
Outstanding – September 30, 2017	**2,082,500**		**21.00**
Exercisable – September 30, 2017	**1,087,500**		**21.21**

On May 3, 2017, our shareholders approved a resolution to amend our stock option plan. The amendment increases the number of Common Shares reserved for issuance by 4,000,000. As such, 4,685,000 options are available to be issued under the stock option plan as at September 30, 2017. In the first nine months of 2017 there were no stock options granted or exercised and there were 75,000 stock options forfeited. As at September 30, 2017, Mullen Group had 2,082,500 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)		**Q3**	**Q2**	**Q1**	Q4	**Q3**	Q2	Q1	Q4
($ millions, except per share amounts)	**$**	**$**	**$**	**$**	$	**$**	$	$	$
Revenue	**1,100.2**	**283.9**	**273.6**	**284.9**	257.8	**258.6**	247.0	271.7	287.7
Operating income before depreciation and amortization[2]	**168.7**	**44.7**	**39.8**	**41.7**	42.5	**53.6**	46.0	38.9	52.7
Operating income before depreciation and amortization – adjusted[2]	**174.4**	**49.2**	**42.3**	**42.7**	40.2	**52.1**	46.6	45.5	49.3
Net income (loss)	**59.4**	**26.0**	**19.6**	**14.5**	(0.7)	**17.6**	13.7	21.4	2.4
Earnings (loss) per share									
Basic	**0.57**	**0.25**	**0.19**	**0.14**	(0.01)	**0.17**	0.14	0.23	0.03
Diluted	**0.57**	**0.25**	**0.19**	**0.14**	(0.01)	**0.17**	0.14	0.23	0.03
Other Information									
Net foreign exchange (gain) loss	**(11.6)**	**(11.3)**	**(9.4)**	**(2.3)**	11.4	**5.0**	(5.7)	(16.5)	10.6
Decrease (increase) in fair value of investments	**(0.3)**	**0.1**	**0.2**	**1.0**	(1.6)	**(4.4)**	4.2	0.1	3.5

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

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

Third quarter financial performance continued the trend from this year's first and second quarter performances where the completion of a series of acquisitions and improved drilling activity resulted in record quarterly revenue in the Trucking/Logistics segment and increased demand for oilfield services. These positive results continued to be somewhat offset by intense competition and the completion of several major capital projects. As a result, our consolidated revenue in the quarter increased to $283.9 million from $258.6 million in 2016. The increase of $25.3 million, or 9.8 percent, was primarily due to $17.4 million of additional revenue generated by the Trucking/Logistics segment and a $6.8 million improvement by the Oilfield Services segment. Revenue in the Trucking/Logistics segment increased by $17.4 million during the quarter due to the incremental revenue generated from the recent 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 $6.8 million due to a greater amount of revenue

generated by those Business Units most directly tied to oil and natural gas drilling activity, the $1.9 million of incremental revenue generated from Envolve and a $2.7 million increase in revenue from those Business Units involved in the transportation of fluids and servicing of wells. These increases were somewhat offset by lower demand for heavy haul services and a reduction in demand for pipeline hauling and stringing services due to the timing of certain projects. Net income in the third quarter of 2017 was $26.0 million, an increase of $8.4 million from the $17.6 million of net income generated in 2016. The $8.4 million increase in net income was mainly attributable to a $16.3 million positive variance in net foreign exchange, a $2.7 million decrease in income tax expense and a $2.0 million gain on contingent consideration. These decreases were partially offset by an $8.9 million decrease in OIBDA[1] and a $4.5 million decrease in the fair value of investments. As a result, basic earnings per share in the third quarter of 2017 was $0.25, an increase of $0.08, from the $0.17 of earnings per share generated in 2016.

Second quarter financial performance continued the trend from this year's first quarter performance where the completion of a series of six acquisitions and improved drilling activity resulted in record quarterly revenue in the Trucking/Logistics segment and increased demand for oilfield services. These positive results continued to be somewhat offset by intense competition, the completion of several major capital projects and reduced pipeline hauling and stringing activity. As a result, our consolidated revenue in the quarter increased to $273.6 million from $247.0 million in 2016. The increase of $26.6 million, or 10.8 percent, was primarily due to $13.9 million of additional revenue generated by the Trucking/Logistics segment and an $11.3 million improvement by the Oilfield Services segment. Revenue in the Trucking/Logistics segment increased by $13.9 million during the quarter due to the incremental revenue generated from the recent 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 in the Oilfield Services segment increased by $11.3 million due to a greater amount of revenue generated by those Business Units most directly tied to oil and natural gas drilling activity, greater demand for pumps and related services and increased revenue from those Business Units involved in the transportation of fluids and servicing of wells. These increases were somewhat offset by lower demand for pipeline hauling and stringing services due to the timing of certain projects. Net income in the second quarter of 2017 was $19.6 million, an increase of $5.9 million from the $13.7 million of net income generated in 2016. The $5.9 million increase in net income was mainly attributable to a $4.0 million positive variance in the fair value of investments, a $3.7 million positive variance in net foreign exchange, a $2.7 million decrease in depreciation and amortization and a $1.0 million decrease in income tax expense. These decreases were partially offset by a $6.2 million decrease in OIBDA[1]. As a result, basic earnings per share in the second quarter of 2017 was $0.19, an increase of $0.05, from the $0.14 of earnings per share generated in 2016.

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 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.

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

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 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.

TRANSACTIONS WITH RELATED PARTIES

A description of transactions with related parties can be found on page 58 of the 2016 MD&A. As at September 30, 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 September 30, 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 September 30, 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.

IFRS 15 - Revenue from Contracts with Customers

The IASB has issued a new standard, IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**"). This new standard replaces IAS 18 – Revenue which covers contracts for goods and services and IAS 11 – Construction Contracts which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS 15 is effective for financial years

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

commencing on or after January 1, 2018. As such, we plan to adopt IFRS 15 in our consolidated financial statements for the year ending December 31, 2018, using the cumulative effect method whereby we will apply the new standard as of the date of initial application with no restatement of comparative periods. The cumulative effect method adjusts the effects on revenue and expenses to the opening balance of retained earnings as at January 1, 2018. We do not expect that the implementation of the new standard will result in a material change in revenue.

During 2017 we performed an assessment of IFRS 15. We continue to evaluate the effect of adopting the new standard on our consolidated financial statements. We have identified revenue sources within our lines of business and are assessing the appropriate method of revenue recognition under the new standard. This involves the assessment of whether our performance obligations are satisfied on a point in time or over time basis.

Generally, our services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contracts terms do not include the provision of post-service obligations. The majority of our revenue is derived from transportation services. In addition, we offer a multitude of oilfield and other services. While we cannot yet determine the quantitative impact on our consolidated financial statements, we currently expect the new standard to affect the timing of revenue recognition. Currently, we recognize revenue when services are rendered and when collectability of consideration is probable. For our primary service line, transportation services, revenue is currently recognized when the shipment is delivered. The new standard will require us to recognize transportation services revenue over time resulting in revenue being recognized before the shipment is delivered on a prorated basis. This requirement involves the use of more estimates and judgements than the present standard and requires additional disclosures.

Changes in Accounting Policies

During the nine month period ended September 30, 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 September 30, 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**"). Based on this evaluation, the CEO and the CFO concluded that, as at September 30, 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.

Based on this evaluation, the CEO and CFO concluded that internal control over financial reporting was effective as at September 30, 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. Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The following is a list of forward-looking statements contained within this MD&A, along with the respective assumptions:

- Mullen Group's belief that revenue is expected to continue to grow primarily due to our acquisition strategy, a stable economic outlook and our expectation that the oil and gas industry is in the early stages of a recovery, especially as it relates to drilling activity. Capital investment in long lead major projects continues to be the negative for the industry. In terms of profitability both segments are expected to remain competitive in spite of some indications that the supply/demand fundamentals are exhibiting signs of tightening, most notably in terms of spot market pricing, as referred to in the Outlook section beginning on page 7. This forward looking statement is based on the assumption that we continue to believe that the trends we have experienced in the first nine months remain in place.

- 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 10. This forward-looking statement 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, as referred to in the Capital Expenditures section on page 12. This forward-looking statement is based on the assumption that our Business Units will require capital to support their ongoing operations and growth opportunities.

- Mullen Group's intention to use working capital, the Bank Credit Facility (as defined on page 48) and the anticipated cash flow from operating activities in 2017 to finance our ongoing working capital requirements, our 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 45. This forward-looking statement is based on our belief that our access to cash will exceed our expected requirements.

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

Forward-looking statements address future events and conditions and, therefore, involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. 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 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) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Net income	**$ 26.0**	$ 17.6	**$ 60.1**	$ 52.7
Add (deduct):				
Income tax expense	**5.0**	7.7	**12.3**	14.2
Net foreign exchange (gain) loss	**(11.3)**	5.0	**(23.0)**	(17.2)
Other (income) expense	**(1.5)**	(4.4)	**(2.8)**	(0.5)
Finance costs	**6.9**	7.6	**22.1**	24.7
Depreciation of property, plant and equipment	**16.8**	17.6	**49.5**	53.2
Amortization of intangible assets	**2.8**	2.5	**8.0**	11.4
Operating income before depreciation and amortization	**$ 44.7**	$ 53.6	**$ 126.2**	$ 138.5

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 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 September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Net income	**$ 26.0**	$ 17.6	**$ 60.1**	$ 52.7
Add (deduct):				
Income tax expense	**5.0**	7.7	**12.3**	14.2
Net foreign exchange (gain) loss	**(11.3)**	5.0	**(23.0)**	(17.2)
Other (income) expense	**(1.5)**	(4.4)	**(2.8)**	(0.5)
Finance costs	**6.9**	7.6	**22.1**	24.7
Depreciation of property, plant and equipment	**16.8**	17.6	**49.5**	53.2
Amortization of intangible assets	**2.8**	2.5	**8.0**	11.4
Selling and administrative expenses[1]	**4.5**	(1.5)	**8.0**	5.7
Operating income before depreciation and amortization – adjusted	**$ 49.2**	$ 52.1	**$ 134.2**	$ 144.2

[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 foreign exchange gains and losses, from the change in fair value of investments, the gain on contingent consideration 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 pages 21 and 38 for detailed calculations of net income – adjusted and earnings per share – adjusted.

Net Capital Expenditures

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

(unaudited) *($ millions)*	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Purchase of property, plant and equipment	**$ 14.1**	$ 4.7	**$ 23.8**	$ 16.2
Proceeds on sale of property, plant and equipment	**(3.5)**	(1.2)	**(7.3)**	(4.2)
Net capital expenditures	**$ 10.6**	$ 3.5	**$ 16.5**	$ 12.0

Net Debt

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

(unaudited) *($ millions)*	September 30, 2017	December 31, 2016
Long-term debt	**$ 455.3**	$ 547.1
Convertible debentures - debt component[(1)]	**—**	12.3
Total debt	**455.3**	559.4
Less working capital:		
Current assets	**368.3**	469.2
Current liabilities (includes convertible debentures – debt component [(1)])	**(186.9)**	(226.1)
Total working capital	**181.4**	243.1
Net debt	**$ 273.9**	$ 316.3

[(1)] *The Debentures mature on July 1, 2018. Each $1,000 of Debentures are convertible into 93.2 Common Shares of Mullen Group (or a conversion price of $10.73). Thus, an aggregate of approximately 1,159,874 Common Shares of Mullen Group would be issued if all holders convert their principal amount.*

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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)***			**September 30, 2017**
Private Placement Debt (including current portion)			**$ 525.1**
Various Financing Loans			**1.4**
Letters of credit			**4.4**
Total debt			**530.9**
Less: excess cash			
Cash and cash equivalents	$	123.6	
Covenant threshold		(50.0)	
Excess cash			**(73.6)**
Less: unrealized gain on Cross-Currency Swaps			**(25.5)**
Add: unrealized loss on Cross-Currency Swaps			**—**
			(99.1)
Total net debt			**$ 431.8**

Cash Flow per Share

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

(unaudited) ***($ millions, except share and per share amounts)***	**Three month periods ended September 30**		**Nine month periods ended September 30**	
	2017	**2016**	**2017**	**2016**
Net cash from operating activities	**$ 44.0**	$ 44.4	**$ 83.8**	$ 127.8
Weighted average number of Common Shares outstanding	**103,654,316**	103,654,316	**103,654,316**	97,657,691
Cash flow per share	**$ 0.42**	$ 0.43	**$ 0.81**	$ 1.31

SEPTEMBER 30, 2017

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) *(thousands)*	Note		September 30 2017		December 31 2016
Assets					
Current assets:					
Cash and cash equivalents		**$**	**123,647**	$	270,291
Trade and other receivables			**188,482**		153,766
Inventory			**32,607**		30,075
Prepaid expenses			**13,301**		8,754
Current tax receivable			**10,276**		6,311
			368,313		469,197
Non-current assets:					
Property, plant and equipment			**932,884**		948,540
Goodwill			**360,265**		351,883
Intangible assets			**35,721**		22,604
Investments			**32,884**		38,648
Deferred tax assets			**4,965**		8,330
Derivative financial instruments	**6**		**25,494**		32,759
Other assets			**3,655**		1,066
			1,395,868		1,403,830
Total Assets		**$**	**1,764,181**	$	1,873,027
Liabilities and Equity					
Current liabilities:					
Accounts payable and accrued liabilities		**$**	**98,906**	$	83,460
Dividends payable	**7**		**3,110**		3,110
Current tax payable			**1,223**		3,209
Convertible debentures – debt component			**12,367**		—
Current portion of long-term debt	**9**		**71,293**		136,300
			186,899		226,079
Non-current liabilities:					
Long-term debt	**9**		**455,297**		547,107
Convertible debentures – debt component			**—**		12,290
Asset retirement obligations			**968**		—
Deferred tax liabilities			**127,749**		127,141
			584,014		686,538
Equity:					
Share capital	**10**		**933,303**		933,303
Convertible debentures – equity component			**550**		550
Contributed surplus			**13,380**		12,679
Retained earnings			**46,035**		13,878
			993,268		960,410
Subsequent event	**16**				
Total Liabilities and Equity		**$**	**1,764,181**	$	1,873,027

The notes which begin on page 67 are an integral part of these condensed interim consolidated financial statements.

Approved by the Board of Directors on October 25, 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 September 30 2017	Three month periods ended September 30 2016	Nine month periods ended September 30 2017	Nine month periods ended September 30 2016
Revenue		**$ 283,853**	$ 258,696	**$ 842,397**	$ 777,350
Direct operating expenses		**197,786**	173,689	**599,036**	526,661
Selling and administrative expenses		**41,455**	31,323	**117,206**	112,142
Operating income before depreciation and amortization		**44,612**	53,684	**126,155**	138,547
Depreciation of property, plant and equipment		**16,809**	17,675	**49,489**	53,225
Amortization of intangible assets		**2,778**	2,554	**7,985**	11,441
Finance costs		**6,879**	7,637	**22,075**	24,697
Net foreign exchange (gain) loss	**6**	**(11,359)**	4,964	**(23,049)**	(17,201)
Other (income) expense	**13**	**(1,441)**	(4,395)	**(2,763)**	(467)
Income before income taxes		**30,946**	25,249	**72,418**	66,852
Income tax expense	**8**	**4,959**	7,736	**12,274**	14,195
Net income and total comprehensive income		**$ 25,987**	$ 17,513	**$ 60,144**	$ 52,657
Earnings per share:	**11**				
Basic		**$ 0.25**	$ 0.17	**$ 0.58**	$ 0.54
Diluted		**$ 0.25**	$ 0.17	**$ 0.58**	$ 0.54
Weighted average number of Common Shares outstanding:	**11**				
Basic		**103,654**	103,654	**103,654**	97,658
Diluted		**104,814**	103,654	**103,655**	97,658

The notes which begin on page 67 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	**—**	**—**	**—**	**60,144**	**60,144**
Stock-based compensation expense	**—**	**—**	**701**	**—**	**701**
Dividends declared to common shareholders	**—**	**—**	**—**	**(27,987)**	**(27,987)**
Balance at September 30, 2017	**$ 933,303**	**$ 550**	**$ 13,380**	**$ 46,035**	**$ 993,268**

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

The notes which begin on page 67 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) *(thousands)*	Note	Nine month periods ended September 30 2017	2016
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		**$ 60,144**	$ 52,657
Adjustments for:			
Depreciation and amortization		**57,474**	64,666
Finance costs		**22,075**	24,697
Stock-based compensation expense		**701**	805
Foreign exchange loss on cross-currency swaps	**6**	**7,265**	5,501
Foreign exchange		**(22,905)**	(17,168)
Change in fair value of investments	**13**	**1,356**	(71)
Loss on sale of property, plant and equipment	**13**	**636**	1,110
Gain on fair value of equity investment	**5**	**(1,555)**	—
Gain on contingent consideration	**13**	**(2,000)**	—
Earnings from equity investments	**13**	**(1,208)**	(1,506)
Accretion on asset retirement obligations	**13**	**8**	—
Income tax expense	**8**	**12,274**	14,195
Cash flows from operating activities before non-cash working capital items		**134,265**	144,886
Changes in non-cash working capital items from operating activities	**14**	**(28,473)**	4,282
Cash generated from operating activities		**105,792**	149,168
Income tax paid		**(21,967)**	(21,274)
Net cash from operating activities		**83,825**	127,894
Cash flows from financing activities:			
Cash dividends paid to common shareholders		**(27,987)**	(50,936)
Interest paid		**(19,960)**	(21,768)
Repayment of long-term debt and loans		**(129,706)**	(74,283)
Proceeds from bank credit facility		**—**	35,000
Repayment of bank credit facility		**—**	(35,000)
Net proceeds from Common Share issuance		**—**	153,134
Changes in non-cash working capital items from financing activities		**(39)**	89
Net cash (used in) from financing activities		**(177,692)**	6,236
Cash flows from investing activities:			
Acquisitions net of cash acquired	**5**	**(30,677)**	(3,605)
Purchase of property, plant and equipment		**(23,756)**	(16,227)
Proceeds on sale of property, plant and equipment		**7,262**	4,203
Purchase of investments		**(650)**	—
Dividends from equity investee		**128**	—
Interest received		**1,856**	1,138
Other assets		**(1,541)**	(1)
Changes in non-cash working capital items from investing activities		**2,010**	(85)
Net cash used in investing activities		**(45,368)**	(14,577)
Change in cash and cash equivalents		**(139,235)**	119,553
Cash and cash equivalents at January 1		**270,291**	147,243
Effect of exchange rate fluctuations on cash held		**(7,409)**	(5,534)
Cash and cash equivalents at September 30		**$ 123,647**	$ 261,262

The notes which begin on page 67 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 nine month period ended September 30, 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.

(b) New Standards and Interpretations not yet adopted

The IASB has issued a new standard IFRS 15 – Revenue from Contracts with Customers ("**IFRS 15**"). This new standard replaces IAS 18 – Revenue and IAS 11 – Construction Contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS 15 is effective for financial years commencing on or after January 1, 2018. As such, Mullen Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending December 31, 2018, using the cumulative effect method whereby Mullen Group will apply the new standard as of the date of initial application with no restatement of comparative periods. The cumulative effect method adjusts the effects on revenue and expenses to the opening balance of retained earnings as at January 1, 2018. Mullen Group does not expect that the implementation of the new standard will result in a material change in revenue.

During 2017, Mullen Group performed an assessment of IFRS 15 and continues to evaluate the effect of adopting the new standard on its consolidated financial statements. Mullen Group has identified revenue sources within its lines of business and is assessing the appropriate method of revenue recognition under the new standard. This involves the assessment of whether our performance obligations are satisfied on a point in time or over time basis.

Generally, Mullen Group's services are provided based upon orders and contracts with customers that include fixed or determinable prices and are based upon daily, hourly or contracted rates. Contracts terms do not include the provision of post-service obligations. The majority of our revenue is derived from transportation services. In addition, Mullen Group offers a multitude of oilfield and other services. While Mullen Group cannot yet determine the quantitative impact on our consolidated financial statements, we currently expect the new standard to affect the timing of revenue recognition. Currently, Mullen Group recognizes revenue when services are rendered and when collectability of consideration is probable. For our primary service line, transportation services, revenue is currently recognized when the shipment is delivered. The new standard will require us to recognize transportation services revenue over time resulting in revenue being recognized before the shipment is delivered on a prorated basis. This requirement involves the use of more estimates and judgements than the present standard and requires additional disclosures.

4. Determination of Fair Values

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

September 30, 2017 Financial Instrument	Fair Value Hierarchy		Carrying Amount		Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	$	5,352	$	5,352
Derivative Financial Instruments	Level 2	$	25,494	$	25,494
Private Placement Debt	Level 2	$	525,157	$	417,851
Debentures – debt component	Level 2	$	12,367	$	11,546

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.

Golden Transport Ltd. – On August 1, 2017, Mullen Group acquired all of the issued and outstanding shares of Golden Transport Ltd. ("**Golden**") for cash consideration of $1.5 million. Mullen Group recorded $1.5 million of cash used to acquire Golden on its condensed consolidated statement of cash flows. Golden is headquartered in Golden, British Columbia and provides transportation and logistics services primarily in western Canada. Mullen Group acquired Golden as part of its strategy to invest in the transportation sector in western Canada. Golden has been integrated into the operations of the Hi-Way 9 Group of Companies, whose financial results are included in the Trucking/Logistics segment.

RDK Transportation Co. Inc. – On September 1, 2017, Mullen Group acquired all of issued and outstanding shares of RDK Transportation Co. Inc. ("**RDK**") for cash consideration of $13.5 million. Mullen Group recorded $13.5 million of cash used to acquire RDK on its condensed consolidated statement of cash flows. RDK is headquartered in Saskatoon, Saskatchewan and provides transportation and logistics services throughout Canada and the continental United States. Mullen Group acquired RDK as part of its strategy to invest in the transportation sector in Canada and the United States and its financial results are included in the Trucking/Logistics segment.

These acquisitions have been accounted for by the acquisition method, and results of operations have been included in these Interim Financial Statements from the dates of acquisition. Since their respective acquisition dates, the acquisitions have collectively generated $13.7 million of revenue in 2017. During the third quarter, the acquisitions have collectively generated $6.5 million of revenue. 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	$	2,297
Property, plant and equipment		17,975
Intangible assets		21,102
Goodwill (not deductible for tax purposes)		8,382
Other assets		850
Due from shareholder		198
		50,804
Assumed liabilities:		
Long-term debt		4,404
Asset retirement obligations		960
Due to shareholder		50
Deferred income taxes		7,020
		12,434
Net assets before cash and cash equivalents		38,370
Cash and cash equivalents		627
Net assets		38,997
Consideration:		
Cash		31,304
Fair value of equity investment		7,693
	$	38,997

Due to the limited time between the closing of the acquisitions of Golden and RDK and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed on those acquisitions 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 nine month period ended September 30, 2017, Mullen Group recorded a net foreign exchange gain of $23.0 million (2016 – $17.2 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Foreign Exchange (Gain) Loss	Nine month periods ended September 30			
	CDN. $ Equivalent			
		2017		2016
Foreign exchange (gain) loss on U.S. $ debt	$	(30,314)	$	(22,702)
Foreign exchange loss (gain) on Cross-Currency Swaps		7,265		5,501
Net foreign exchange (gain) loss	$	(23,049)	$	(17,201)

For the nine month period ending September 30, 2017, Mullen Group recorded a foreign exchange gain on U.S. dollar debt of $30.3 million (2016 – $22.7 million) as summarized in the table below:

Foreign Exchange (Gain) Loss on U.S. $ Debt	**Nine month periods ended September 30**					
	2017			**2016**		
($ thousands, except exchange rate amounts)	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**	**U.S. $ Debt**	**Exchange Rate**	**CDN. $ Equivalent**
Beginning – January 1	**314,000**	**1.3427**	**421,608**	314,000	1.3840	434,576
Less: Repayment of Series E Notes	**(85,000)**	**1.2412**	**(105,502)**	—	—	—
Subtotal	**229,000**	**—**	**316,106**	314,000	—	434,576
Ending – September 30	**229,000**	**1.2480**	**285,792**	314,000	1.3117	411,874
Foreign exchange (gain) loss on U.S. $ debt			**(30,314)**			(22,702)

For the nine month period ended September 30, 2017, Mullen Group recorded a foreign exchange loss on its Cross-Currency Swaps of $7.3 million (2016 – $5.5 million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Foreign Exchange Loss (Gain) on Cross-Currency Swaps	**Nine month periods ended September 30**			
	2017		**2016**	
Cross-Currency Swap maturing October 22, 2024	**117,000**	**4,025**	117,000	3,228
Cross-Currency Swap maturing October 22, 2026	**112,000**	**3,240**	112,000	2,273
Foreign exchange loss (gain) on Cross-Currency Swaps		**7,265**		5,501

7. Dividends Payable

For the nine month period ended September 30, 2017, Mullen Group declared monthly dividends of $0.03 per Common Share totalling $0.27 per Common Share (2016 – $0.47 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 September 30, 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 October 16, 2017. Mullen Group also declared a dividend of $0.03 per Common Share on October 20, 2017, to the holders of record at the close of business on October 31, 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 September 30		**Nine month periods ended September 30**	
	2017	**2016**	**2017**	**2016**
Income before income taxes	**$ 30,946**	$ 25,249	**$ 72,418**	$ 66,852
Combined statutory tax rate	**27%**	27%	**27%**	27%
Expected income tax	**8,355**	6,817	**19,553**	18,050
Add (deduct):				
Non-deductible (taxable) portion of net foreign exchange (gain) loss	**(1,534)**	670	**(3,112)**	(2,322)
Non-deductible (taxable) portion of the change in fair value of investments	**18**	(589)	**(27)**	(10)
Stock-based compensation expense	**78**	63	**189**	217
Decrease in income tax due to changes in income tax rates	**—**	—	**(444)**	—
Changes in previously unrecognized deferred tax asset	**(1,534)**	670	**(3,112)**	(2,322)
Other	**(424)**	105	**(773)**	582
Income tax expense	**$ 4,959**	$ 7,736	**$ 12,274**	$ 14,195

9. Long-Term Debt and Credit Facility

On September 27, 2017, Mullen Group used cash and cash equivalents to repay U.S. $85.0 million of Series E Notes and $20.0 million of Series F Notes. The Series E and Series F Notes matured on September 27, 2017.

Mullen Group has a $75.0 million revolving demand unsecured credit facility (the "**Bank Credit Facility**"). Interest on the Bank Credit Facility is payable monthly and is based on either the bank prime rate plus 0.50 percent or bankers' acceptance rates plus an acceptance fee of 1.50 percent. As at September 30, 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 $4.4 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 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 $1.6 million related to its Private Placement Debt have been netted against its carrying value at September 30, 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 (as hereafter defined on page 73). 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:

		September 30, 2017		December 31, 2016
Current liabilities:				
Private Placement Debt	**$**	**70,000**	$	134,130
Various Financing Loans		**1,293**		2,170
Bank Credit Facility		**—**		—
		71,293		136,300
Non-current liabilities:				
Private Placement Debt		**455,157**		546,325
Various Financing Loans		**140**		782
		455,297		547,107
	$	**526,590**	$	683,407

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

			September 30, 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	2018 – 2026	3.84% - 5.76%	**526,792**	**525,157**	682,607	680,455
Various Financing Loans	2017 – 2018	3.63% - 7.68%	**1,433**	**1,433**	2,952	2,952
			528,225	**526,590**	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 September 30	**103,654,316**	103,654,316

11. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three and nine month periods ended September 30, 2017, were $26.0 million and $60.1 million (2016 – $17.5 million and $52.7 million), respectively. The weighted average number of Common Shares outstanding for the three and nine month periods ended September 30, 2017 and 2016 was calculated as follows:

		Three month periods ended September 30		Nine month periods ended September 30	
	Note	2017	2016	2017	2016
Issued Common Shares at beginning of period	10	**103,654,316**	103,654,316	**103,654,316**	91,661,066
Effect of Common Shares issued		—	—	—	5,996,625
Weighted average number of Common Shares at end of period – basic		**103,654,316**	103,654,316	**103,654,316**	97,657,691

(b) Diluted Earnings per Share

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Net income	**$ 25,987**	$ 17,513	**$ 60,144**	$ 52,657
Effect on finance costs from conversion of Debentures (net of tax)	**246**	—	**—**	—
Net income – adjusted	**$ 26,233**	$ 17,513	**$ 60,144**	$ 52,657

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

	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Weighted average number of Common Shares – basic	**103,654,316**	103,654,316	**103,654,316**	97,657,691
Effect of "in the money" stock options	**—**	—	**878**	—
Effect of conversion of Debentures	**1,159,874**	—	**—**	—
Weighted average number of Common Shares at end of period – diluted	**104,814,190**	103,654,316	**103,655,194**	97,657,691

For the three month period ended September 30, 2017, 2,082,500 stock options (2016 – 2,157,500) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. For the nine month period ended September 30, 2017, 1,935,000 stock options (2016 – 2,157,500) 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 September 30, 2017 and 2016. For the three month period ended September 30, 2017, the 1,159,874 Common Shares that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**") were included in the diluted weighted average calculation as their effect was dilutive. For all other periods, the 1,159,874 Common Shares that would be issued on conversion of the Debentures were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive.

12. Seasonality of Operations

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

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

13. Other (Income) Expense

	Three month periods ended September 30		Nine month periods ended September 30	
	2017	**2016**	**2017**	**2016**
Change in fair value of investments	**$ 131**	$ (4,359)	**$ 1,356**	$ (71)
Loss on sale of property, plant and equipment	**333**	325	**636**	1,110
Gain on contingent consideration	**(2,000)**	—	**(2,000)**	—
Gain on fair value of equity investment	**—**	—	**(1,555)**	—
Loss (earnings) from equity investments	**92**	(361)	**(1,208)**	(1,506)
Accretion on asset retirement obligations	**3**	—	**8**	—
Other (income) expense	**$ (1,441)**	$ (4,395)	**$ (2,763)**	$ (467)

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

Gain on contingent consideration

On October 1, 2016, Mullen Group acquired all of the issued and outstanding shares of Caneda Transport Inc. ("**Caneda**") and affiliated companies for total cash consideration of $22.5 million, which included the Calgary, Alberta facility operated by Caneda and $2.0 million of contingent consideration. Pursuant to the purchase and sale agreement, the vendor could receive cash consideration of up to $2.0 million for achieving certain financial targets for the twelve month period ending September 30, 2017. Mullen Group initially estimated the fair value of this contingent consideration to be $2.0 million, which was based upon management's best estimate of Caneda's pro forma operating results. The funds to settle this liability were set aside in an escrow account, which had been presented within cash and cash equivalents. Caneda did not achieve certain financial targets for the twelve month period ending September 30, 2017. As a result, Mullen Group recognized a gain on contingent consideration of $2.0 million.

14. Changes in non-cash working capital items from operating activities

	Nine month periods ended September 30	
	2017	**2016**
Trade and other receivables	**$ (31,469)**	$ (4,594)
Inventory	**(2,532)**	(472)
Prepaid expenses	**(4,179)**	(1,819)
Accounts payable and accrued liabilities	**9,707**	11,167
	$ (28,473)	$ 4,282

15. Operating Segments

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

				Intersegment eliminations		
Three month period ended September 30, 2017	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Revenue	**190,622**	**93,516**	**1,026**	**(1,148)**	**(163)**	**283,853**
Income before income taxes	**18,664**	**6,373**	**5,909**	**—**	**—**	**30,946**
Depreciation of property, plant and equipment	**5,341**	**9,912**	**1,556**	**—**	**—**	**16,809**
Amortization of intangible assets	**1,897**	**881**	**—**	**—**	**—**	**2,778**
Capital expenditures [1]	**10,837**	**2,322**	**877**	**—**	**—**	**14,036**
Total assets at September 30, 2017	**521,482**	**601,046**	**641,653**	**—**	**—**	**1,764,181**

[1] Excludes business acquisitions

				Intersegment eliminations		
Three month period ended September 30, 2016	**Trucking/ Logistics**	**Oilfield Services**	**Corporate**	**Trucking/ Logistics**	**Oilfield Services**	**Total**
	$	$	$	$	$	$
Revenue	173,330	86,763	1,286	(1,056)	(1,627)	258,696
Income (loss) before income taxes	20,662	5,689	(1,102)	—	—	25,249
Depreciation of property, plant and equipment	5,288	10,798	1,589	—	—	17,675
Amortization of intangible assets	1,287	1,267	—	—	—	2,554
Capital expenditures [1]	3,574	941	381	—	(188)	4,708
Total assets at December 31, 2016	476,891	593,512	802,624	—	—	1,873,027

[1] Excludes business acquisitions

Nine month period ended September 30, 2017	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations Trucking/ Logistics	Intersegment eliminations Oilfield Services	Total
	$	$	$	$	$	$
Revenue	**554,762**	**288,957**	**2,956**	**(3,581)**	**(697)**	**842,397**
Income before income taxes	**44,061**	**18,354**	**10,003**	**—**	**—**	**72,418**
Depreciation of property, plant and equipment	**15,546**	**29,404**	**4,539**	**—**	**—**	**49,489**
Amortization of intangible assets	**5,342**	**2,643**	**—**	**—**	**—**	**7,985**
Capital expenditures [1]	**18,837**	**5,148**	**894**	**(122)**	**(1,001)**	**23,756**
Total assets at September 30, 2017	**521,482**	**601,046**	**641,653**	**—**	**—**	**1,764,181**

[1] Excludes business acquisitions

Nine month period ended September 30, 2016	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations Trucking/ Logistics	Intersegment eliminations Oilfield Services	Total
	$	$	$	$	$	$
Revenue	516,531	266,077	2,238	(4,503)	(2,993)	777,350
Income before income taxes	57,353	7,991	1,508	—	—	66,852
Depreciation of property, plant and equipment	15,487	33,034	4,704	—	—	53,225
Amortization of intangible assets	5,021	6,420	—	—	—	11,441
Capital expenditures [1]	14,218	1,827	521	—	(339)	16,227
Total assets at December 31, 2016	476,891	593,512	802,624	—	—	1,873,027

[1] Excludes business acquisitions

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

16. Subsequent Event

S. Krulicki & Sons Ltd. – On October 1, 2017, Mullen Group acquired all of the issued and outstanding shares of S. Krulicki & Sons Ltd., which operates under the brand names of Winnipeg Moving & Storage and Brandon Moving among others (collectively, "**Winnipeg Moving**") for cash consideration of approximately $6.0 million. Winnipeg Moving is a privately held company headquartered in Winnipeg, Manitoba, which specializes in local, long distance and international residential and commercial moves. Mullen Group acquired Winnipeg Moving as part of its strategy to invest in the transportation sector in Canada. Winnipeg Moving has been integrated into the operations of Gardewine Group Limited Partnership, whose financial results are included in the Trucking/Logistics segment. Due to the limited time between the acquisition of Winnipeg Moving and the preparation of these Interim Financial Statements, the value of the assets acquired and the liabilities assumed were not available to management as of the date of this report.

CORPORATE INFORMATION

DIRECTORS | OFFICERS

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

Greg Bay, CFA
Lead Director

Alan D. Archibald, P.Eng.
Director

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Director

Christine McGinley, CPA, CA, ICD.D
Director

David E. Mullen
Director

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

Sonia Tibbatts, MBA
Director

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Senior Vice President

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