

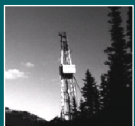


Mullen Group
Ltd.

Q2

INTERIM REPORT

PERIOD ENDED JUNE 30, 2016



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A"), dated July 20, 2016, has been prepared by management of Mullen Group Ltd. ("Mullen Group" and/or the "Corporation") for the three and six month periods ended June 30, 2016, and should be read in conjunction with (i) the audited annual consolidated financial statements for the fiscal year ended December 31, 2015 (the "Annual Financial Statements"), together with the Management's Discussion and Analysis thereon (the "2015 MD&A"), and (ii) the unaudited condensed interim consolidated financial statements for the three and six month periods ended June 30, 2016 (the "Interim Financial Statements"). Unless otherwise specified, information in this MD&A is provided as at such date and any reference to "Mullen Group", "we", "us", "our" or the "Corporation" means Mullen Group Ltd., a corporation incorporated under the laws of the province of Alberta and includes its predecessors where context so requires. The Annual Financial Statements and other additional information are available on SEDAR at www.sedar.com and at www.mullen-group.com. These documents are also available upon request, free of charge, from the Corporate Investor Services group at ir@mullen-group.com. This MD&A and the Interim Financial Statements were reviewed by Mullen Group's Audit Committee and approved by the Board of Directors (the "Board") on July 20, 2016.

ACCOUNTING PRINCIPLES

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

ADVISORY:

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

Non-GAAP and Additional GAAP Terms - Mullen Group reports on certain financial performance measures that are described and presented in order to provide shareholders and potential investors with additional measures to evaluate Mullen Group's ability to fund its operations and information regarding its liquidity. In addition, these measures are used by management in its evaluation of performance. These financial performance measures ("Non-GAAP and Additional GAAP Terms") are not recognized financial terms under Canadian generally accepted accounting principles ("Canadian GAAP"). For publicly accountable enterprises, such as Mullen Group, Canadian GAAP is governed by principles based on IFRS and interpretations of IFRIC. Management believes these Non-GAAP and Additional GAAP Terms are useful supplemental measures. These Non-GAAP and Additional GAAP Terms do not have standardized meanings and may not be comparable to similar measures presented by other entities. Specifically, operating income before depreciation and amortization¹, operating income before depreciation and amortization – adjusted¹, net income – adjusted¹, earnings per share – adjusted¹, net capital expenditures¹, net debt¹, total net debt¹ and cash flow per share¹ are not measures recognized by Canadian GAAP and do not have standardized meanings prescribed by Canadian GAAP. For the reader's reference, the definition, calculation and reconciliation of Non-GAAP 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 foregoing Canadian GAAP terms: net income, earnings per share, purchases of property, plant and equipment, proceeds on sale of property, plant and equipment and debt.

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

HIGHLIGHTS FOR THE QUARTER

PERFORMANCE:

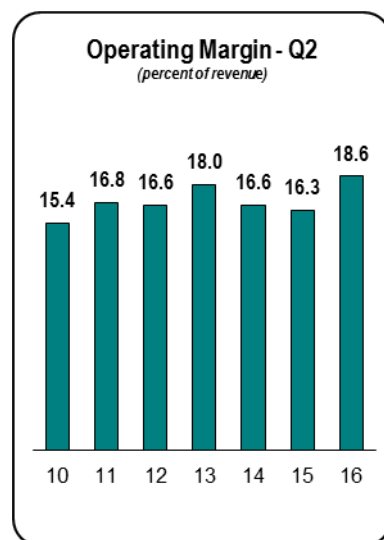
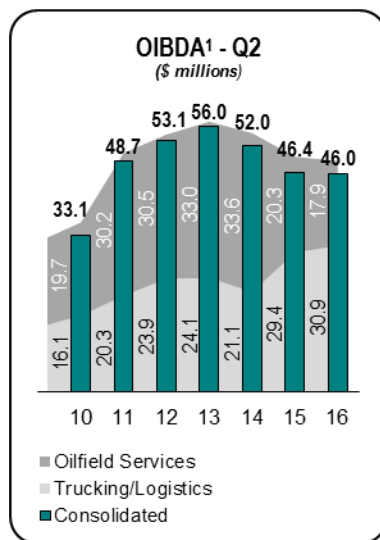
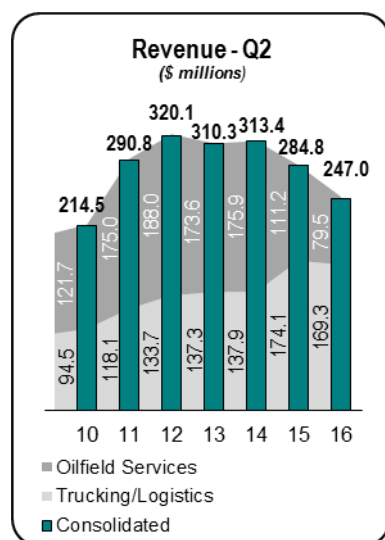
(unaudited)

(\$ millions, except share price and per share amounts)

	Three month periods ended			Six month periods ended		
	June 30			June 30		
	2016	2015	% Change	2016	2015	% Change
Financial Results						
Revenue	\$ 247.0	\$ 284.8	(13.3)	\$ 518.7	\$ 622.0	(16.6)
Operating income before depreciation and amortization ^{(1) (2)}	46.0	46.4	(0.9)	84.9	111.2	(23.7)
Operating income before depreciation and amortization – adjusted ^{(1) (2)}	46.6	47.5	(1.9)	92.1	104.9	(12.2)
Net unrealized foreign exchange (gain) loss	(5.7)	1.2	(575.0)	(22.2)	18.9	(217.5)
Decrease in fair value of investments	4.2	4.2	—	4.3	8.5	(49.4)
Net income	13.7	0.9	1,422.2	35.1	3.7	848.6
Net income – adjusted ⁽¹⁾	11.9	11.2	6.3	17.3	36.1	(52.1)
Net cash from operating activities	48.9	62.7	(22.0)	83.4	104.6	(20.3)
Cash dividends declared to common shareholders	13.6	27.5	(50.5)	35.6	55.0	(35.3)
Financial Position						
Cash and cash equivalents	\$ 236.2	\$ 138.3	70.8	\$ 236.2	\$ 138.3	70.8
Long-term debt (includes the current portion thereof and the debt component of Debentures)	679.3	737.9	(7.9)	679.3	737.9	(7.9)
Total assets	1,858.2	1,839.9	1.0	1,858.2	1,839.9	1.0
Share Information						
Cash dividends declared per Common Share	\$ 0.14	\$ 0.30	(53.3)	\$ 0.38	\$ 0.60	(36.7)
Earnings per share – basic	\$ 0.14	\$ 0.01	1,300.0	\$ 0.37	\$ 0.04	825.0
Earnings per share – diluted	\$ 0.14	\$ 0.01	1,300.0	\$ 0.37	\$ 0.04	825.0
Earnings per share – adjusted ⁽¹⁾	\$ 0.12	\$ 0.12	—	\$ 0.18	\$ 0.39	(53.8)
Share price – June 30	\$ 14.10	\$ 20.41	(30.9)	\$ 14.10	\$ 20.41	(30.9)
Other Information						
Net capital expenditures ⁽¹⁾	\$ 4.7	\$ 10.7	(56.1)	\$ 8.5	\$ 45.5	(81.3)
Acquisitions	\$ —	\$ —	—	\$ —	\$ 166.0	(100.0)

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

⁽²⁾ Prior to 2016, Mullen Group used the term "operating income", which has been replaced by the additional GAAP term "operating income before depreciation and amortization" or "OIBDA".



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

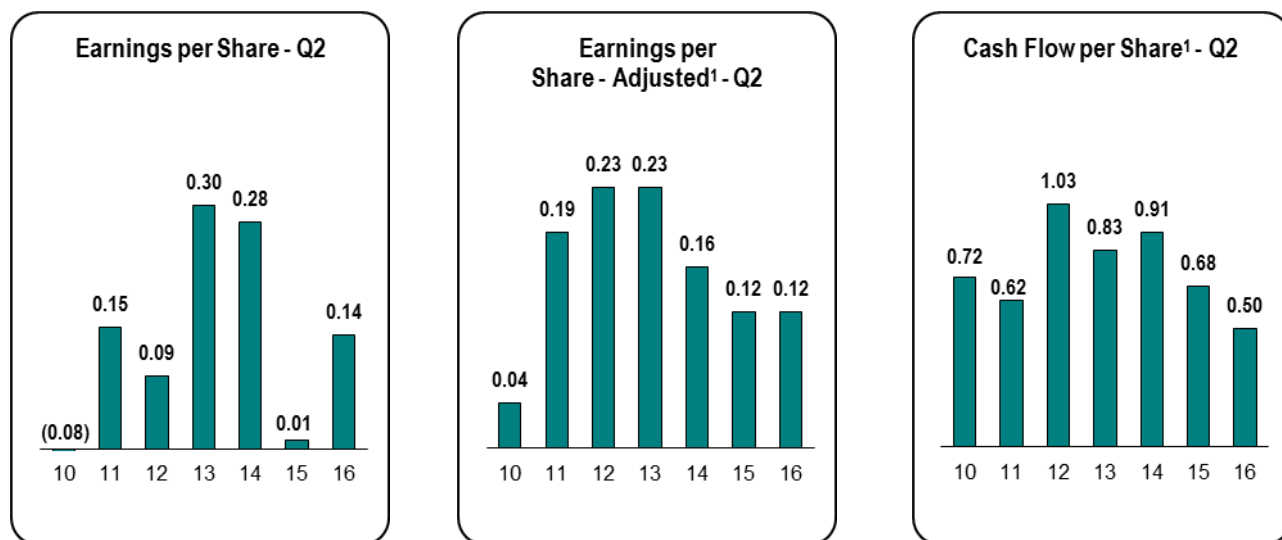


POSITION:

- Working capital: \$350.5 million (includes \$236.2 million of cash and cash equivalents)
- Net debt¹: \$327.5 million (long-term debt plus the debt component of Debentures less working capital)
- Net debt¹ to trailing twelve months OIBDA¹: 1.61:1

PROGRESS:

- The Trucking/Logistics segment generated record second quarter OIBDA¹ of \$30.9 million
- Closed a bought deal offering and a non-brokered private placement by issuing 11,993,250 Common Shares for gross proceeds of \$159.5 million (net proceeds of \$153.2 million)
- Repaid \$35.0 million that had been drawn against our \$75.0 million bank credit facility
- Our diverse and adaptable business model along with cost control measures led to improved OIBDA¹ margins in both operating segments despite drilling activity experiencing multi-year lows, an economic slowdown in Alberta and a slow growth trajectory for the overall Canadian economy



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



EXECUTIVE SUMMARY

Mullen Group operates a diversified business model combined with a highly adaptable and variable cost structure. The financial results for the three month period ending June 30, 2016 were negatively impacted by: (i) the continued lack of demand in the Oilfield Services segment with drilling activity experiencing multi-year lows; (ii) the ongoing economic slowdown in Alberta; and (iii) the lack of investment in capital projects. Despite these challenges, our Trucking/Logistics segment had record second quarter operating income before depreciation and amortization ("**OIBDA**")¹ and the Oilfield Services segment was able to increase its margin.

The highlights for the quarter are as follows:

- consolidated revenue of \$247.0 million, a decrease of \$37.8 million, or 13.3 percent, as compared to \$284.8 million in 2015 due to:
 - a \$31.7 million decline in the Oilfield Services segment
 - a \$4.8 million decline in the Trucking/Logistics segment
- consolidated OIBDA¹ of \$46.0 million, a decrease of \$0.4 million as compared to \$46.4 million in 2015 due to:
 - record second quarter OIBDA¹ of \$30.9 million generated by the Trucking/Logistics segment
 - second quarter OIBDA¹ of \$17.9 million representing 22.5 percent of segment revenue in the Oilfield Services segment compared to \$20.3 million or 18.3 percent of segment revenue in 2015
- adjusting for the negative impact of foreign exchange losses at Corporate Office (as hereafter defined on page 7), operating income before depreciation and amortization ("**OIBDA – adjusted**")¹ was \$46.6 million, or 18.9 percent of revenue, as compared to \$47.5 million, or 16.7 percent of revenue, in 2015. These results more accurately reflect the operating performance of Mullen Group.

Second Quarter Financial Results

For the three month period ended June 30, 2016, revenue decreased by \$37.8 million, or 13.3 percent, to \$247.0 million as compared to \$284.8 million in 2015, due to a \$31.7 million decline in revenue in the Oilfield Services segment and a \$4.8 million decrease in the Trucking/Logistics segment. The \$31.7 million decrease in revenue in the Oilfield Services segment was due to extremely low drilling activity and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units (as hereafter defined on page 7) involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand from within Alberta's oil sands region. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a \$4.8 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and lower demand for transportation services predominately within Alberta. These decreases were somewhat offset by greater demand for services related to Kleysen Group L.P.'s ("**Kleysen**") transload facility in Edmonton, Alberta and from the incremental revenue generated from the acquisition of Courtesy Freight Systems Ltd. ("**Courtesy**").

OIBDA¹ for the second quarter was \$46.0 million, a decrease of \$0.4 million or 0.9 percent over the same period in 2015. OIBDA – adjusted¹ was \$46.6 million, a decrease of \$0.9 million or 1.9 percent as compared to \$47.5 million in 2015. The Oilfield Services segment generated OIBDA¹ of \$17.9 million, a decline of \$2.4 million due to reduced drilling activity and a very challenging operating environment, whereas the Trucking/Logistics segment continued to deliver strong financial results by generating record second quarter OIBDA¹ of \$30.9 million, an increase of \$1.5 million or 5.1 percent from 2015. Stated as a percentage of consolidated revenue, OIBDA – adjusted¹ increased to 18.9 percent as compared to 16.7 percent in 2015. As a percentage of segment revenue, margins in the Oilfield Services segment increased to 22.5 percent from 18.3 percent in 2015 due to our highly adaptable and diversified business model along with cost control initiatives. Margins in the Trucking/Logistics segment increased to 18.3 percent as compared to 16.9 percent due to lower direct operating expenses resulting from the greater availability of subcontractors in western Canada.

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



In the second quarter of 2016, Mullen Group generated net income of \$13.7 million or \$0.14 per share, an increase of \$12.8 million, or 1,422.2 percent, compared to \$0.9 million or \$0.01 per share in 2015. The \$12.8 million increase in net income was mainly attributable to a \$6.9 million positive variance in net unrealized foreign exchange, a \$4.7 million decrease in income tax expense and a \$0.9 million decrease in finance costs. These increases were partially offset by a \$1.0 million increase in loss on sale of property, plant and equipment and a \$0.4 million decrease in OIBDA¹.

The markets we operate in today are very challenging, to say the least. The oil and gas industry struggles are well documented; the Province of Alberta is mired in what we would describe as a "pretty deep recession", exacerbated by one of the costliest natural disasters in Canadian history – the fires in Fort McMurray; and today, the Canadian economy is showing the strains associated with the lack of private investment in capital projects, an important element of any sustaining economy. In spite of all these negatives we generated some impressive results this quarter, reflecting the diversity of our business model as well as the hard work and commitment to managing all aspects of our business by every single Business Unit in our organization. Our focus on quality, safety and use of technology allowed our organization to manage the workload efficiently as well as minimize costs, two critical aspects important to generating the best margins possible. From this perspective we are most pleased with our financial performance this quarter.

Financial Position

At June 30, 2016, Mullen Group had \$350.5 million of working capital (December 31, 2015 - \$187.1 million) including \$236.2 million of cash and cash equivalents (December 31, 2015 - \$147.2 million), net debt¹ of \$327.5 million (December 31, 2015 - \$522.0 million) and had access to additional funding of \$75.0 million from our undrawn Bank Credit Facility (as hereafter defined on page 42). On May 17, 2016, Mullen Group closed a bought deal offering (the "**Offering**") and a non-brokered private placement (the "**Private Placement**") for net proceeds of \$153.2 million. The Corporation's long-term debt consists mainly of its Private Placement Debt (as hereafter defined on page 14) of U.S. \$314.0 million and Canadian \$261.0 million. The weighted average interest rate on our U.S. dollar debt and our Canadian dollar debt is 4.43 percent and 4.58 percent, respectively. The majority of this debt matures on October 22, 2024 and October 22, 2026. In July 2014 Mullen Group entered into two cross-currency swap contracts to swap the principal portion of \$229.0 million of U.S. dollar debt into a Canadian currency equivalent of \$254.1 million for an average exchange rate of \$1.1096. At June 30, 2016, the carrying value of these Cross-Currency Swaps (as hereafter defined on page 14) was \$33.1 million and is recorded within derivative financial instruments ("**Derivatives**") on Mullen Group's consolidated statement of financial position. The net book value of property, plant and equipment was \$964.4 million, the majority consists of \$460.8 million of real property (carrying cost of \$510.1 million) and \$406.7 million of trucks and trailers.

Having a strong, well-structured balance sheet is imperative when markets are challenged, such as they are today. In 2016 we have deleveraged the balance sheet, paid down a series of Notes, restructured the debt covenants with our noteholders, thereby ensuring we have the flexibility to use the strong cash position we hold for the purpose of determining the covenant calculation, and raised new equity of \$153.2 million. We are now extremely well-positioned to manage through this challenging downturn and can utilize our balance sheet to acquire complementary businesses that meet our strategic objectives. Our stakeholders understand the near-term market challenges as well as the rational and strategic approach we utilize when evaluating acquisitions.

Six Month Period Ended Financial Results

Consolidated revenue in the first six months of 2016 decreased by \$103.3 million, or 16.6 percent, to \$518.7 million as compared to \$622.0 million in 2015. The majority of this decrease in revenue, specifically \$65.5 million, occurred in the first quarter. Revenue in the Oilfield Services segment decreased by \$90.1 million, or 33.4 percent, to \$179.3 million as compared to \$269.4 million in the same period one year earlier. This decrease was due to lower revenue generated by those Business Units involved in the transportation of fluids and servicing of wells, a reduction in revenue from those Business Units most directly tied to oil and natural gas drilling activity in western Canada, lower demand for services from Alberta's oil sands region along with the cancellation of core drilling programs. These decreases were partially offset by greater demand for services related to large diameter pipeline construction projects. Revenue in the Trucking/Logistics segment decreased by \$11.0 million, or 3.1 percent, to \$343.2 million from \$354.2 million in 2015. This decrease was due to lower fuel surcharge revenue as well as decreased demand for most freight services in western Canada, and Alberta in particular. These decreases were partially offset by revenue generated by Kleysen related to increased demand for transload services, modestly increased demand and market share gains in Manitoba and Saskatchewan as well as incremental revenue related to the acquisition of Courtesy.

OIBDA – adjusted¹ for the first six months of 2016 decreased to \$92.1 million, or 12.2 percent, as compared to \$104.9 million generated in the same period last year. The decrease of \$12.8 million was primarily due to the Oilfield Services segment that experienced a \$16.4 million decrease in OIBDA¹. This decrease was somewhat offset by the

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



Trucking/Logistics segment that experienced a \$4.5 million increase in OIBDA¹. Excluding the impact of foreign exchange gains and losses on U.S. dollar cash held, the Corporate Office recorded a \$0.9 million increase in operating loss on a year over year basis due to a reduction in costs recovered from the Business Units and an increase in various administrative expenses, which was somewhat offset by a reduction in salaries due to cost control initiatives.

Net income in the first six months of 2016 increased to \$35.1 million, as compared to \$3.7 million in 2015. The increase of \$31.4 million was mainly attributable to a \$41.1 million positive variance in net unrealized foreign exchange, an \$11.2 million decrease in income tax expense and a \$4.2 million positive variance in the fair value of investments. These increases were somewhat offset by a \$26.3 million decrease in OIBDA¹ and a \$0.8 million increase in loss on sale of property, plant and equipment.

OUTLOOK

The demand for trucking, logistics and oilfield related services remained weak as evidenced by another quarter of declining revenue. The oil and gas industry has significantly reduced capital spending with infrastructure development and drilling programs declining to the lowest levels in decades. This has led to "recession like conditions" in the Alberta economy, where Mullen Group has significant operations. As well the Canadian economy slowed, impacting the demand for trucking and logistics services in virtually all markets. In addition to slowing demand and lower activity levels, pricing pressures intensified throughout the quarter.

In dealing with these challenging market conditions our focus has been twofold: working alongside each of our 27 operating Business Units (as hereafter defined on page 7) to improve operational efficiency and controlling all costs through various initiatives. To date we have managed to maintain operating margins in spite of the declining demand and intense pricing pressure. Unfortunately, however, our employees have been negatively impacted. Since the beginning of 2015 Mullen Group has reduced our employee count by 1,500, a statistic we take absolutely no delight in. In addition, salaries, discretionary bonuses and benefits have been cut significantly. And in keeping with our corporate culture of leadership, the Board reduced their annual retainer fee by 20.0 percent this year. This downturn has spared few.

During the quarter we strengthened our balance sheet with the issuance of 11,993,250 Common Shares, raising net cash proceeds of \$153.2 million. In addition, we reduced the annual dividend payable to shareholders from \$0.96 to \$0.36, saving over \$62.2 million on an annual basis. And while we consider the reduction in the dividend to be temporary, the reality is that the dividend payable to shareholders must align proportionally to the cash generated from operations. The Board will continue to monitor events to ensure the overall sustainability of Mullen Group is not compromised.

Our outlook for the balance of 2016 and the foreseeable future is quite reserved based upon our view of the two sectors of the economy that Mullen Group serves – trucking and logistics services in Canada and the oil and natural gas industry in western Canada. We expect capital investment, on long lead projects such as oil sands development, will slow considerably as existing projects near completion. Future projects have been put on hold due to uncertainty over government policies, regulatory approvals and commodity prices. Drilling activity in western Canada appears poised to increase marginally over the next few quarters due to the recovery in both crude oil and natural gas pricing. However, we do not view current commodity pricing to be at levels that justify any significant rebound in drilling activity in the near term. Production services demand remains soft and price sensitive due to the continued excess supply of service providers. In terms of pipeline construction activity many of the major projects, such as the Energy East project or the lines associated with LNG development remain mired in the regulatory review process. Several smaller projects, which have supported our Premay Pipeline Hauling L.P. ("**Premay Pipeline**") group this year are expected to continue over the next two quarters. And lastly, we anticipate overall economic activity in Canada to remain sluggish contributing to lower demand for trucking and logistics services. In short there are very few bright spots and as such we expect demand to remain soft accompanied by pricing pressures across most market segments.

Our strategy, given our current outlook, is to continue to aggressively manage all costs, which unfortunately indicates additional employee reductions, as well as utilizing our balance sheet to pursue acquisitions, which we view as the only viable option to mitigate the slowing demand in the markets we serve. Many competitors do not have the scale or diversity as Mullen Group and are very vulnerable in the current market. We continue to evaluate a number of opportunities, however, any acquisition must be strategic and meet our financial requirements. Our expectation is that we will be able to enhance our competitive position in several key markets over the course of the next few quarters as industry capacity tightens.

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



CORPORATE OVERVIEW

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

Business

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

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

Trucking/Logistics Segment:

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

⁽¹⁾ Acquired October 1, 2015
⁽²⁾ Acquired January 9, 2015



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

Oilfield Services Segment:

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

⁽¹⁾ On June 1, 2015, the operations of Majestic Oilfield Services Inc. were combined with Cascade Energy Services L.P.

⁽²⁾ On January 1, 2015, the operations of Brady Oilfield Services L.P. were combined with Spearing Service L.P.

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

Capital Allocations

Bought Deal and Private Placement

On May 17, 2016, Mullen Group closed the Offering and the Private Placement by issuing a total of 11,993,250 Common Shares at a price of \$13.30 per Common Share for gross proceeds of \$159.5 million. The share issuance costs were \$6.3 million resulting in net proceeds of \$153.2 million. The net proceeds were used to repay the \$35.0 million amount drawn on the Bank Credit Facility (as hereafter defined on page 42) with the remainder available to transact on potential strategic acquisitions, to support future growth initiatives and for general corporate purposes.

Dividends

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



For the four month period ended April 30, 2016, Mullen Group declared monthly dividends of \$0.08 per Common Share totaling \$0.32 per Common Share (2015 – \$0.40 per Common Share). On April 20, 2016, the Board reduced the amount of the monthly dividend to \$0.03 per Common Share commencing with the declaration of the May 2016 dividend. For the six month period ending June 30, 2016, Mullen Group declared monthly dividends totaling \$0.38 per Common Share (2015 – \$0.60 per Common Share). At June 30, 2016, Mullen Group had 103,654,316 Common Shares outstanding and a dividend payable of \$3.1 million (December 31, 2015 – \$9.2 million), which was paid on July 15, 2016. Mullen Group also declared a dividend of \$0.03 per Common Share on July 18, 2016, to the holders of record at the close of business on July 31, 2016.

Repayment of Private Placement Debt

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

Private Placement Debt – Amending Agreement

On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt (as hereafter defined on page 14) noteholders to amend certain financial covenant terms (the "**Amending Agreement**") up to and including March 31, 2018 (the "**Covenant Relief Period**"). The Amending Agreement replaces the financial covenant term total debt with total net debt¹ for financial covenant calculation purposes. During the Covenant Relief Period, total net debt¹ is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of \$50.0 million and less any unrealized gain on Cross-Currency Swaps (as hereinafter defined on page 14) plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt¹ will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same.

Acquisitions and Investments

2015

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

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



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

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

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

Capital Expenditures

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

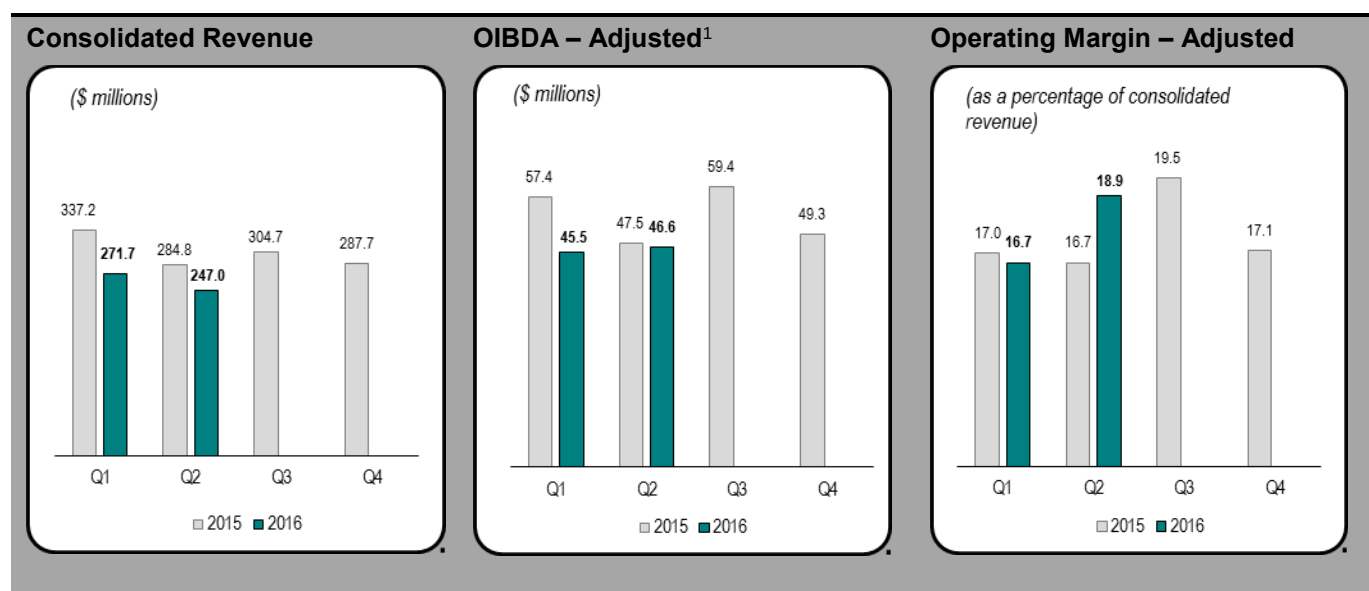
In the first six months of 2016, gross capital expenditures were \$11.5 million as compared to \$49.3 million in 2015. These capital expenditures were comprised of \$10.6 million in the Trucking/Logistics segment (2015 – \$14.1 million), \$0.9 million in the Oilfield Services segment (2015 – \$9.4 million) and \$0.1 million in the Corporate Office (2015 – \$25.8 million). Gross dispositions on a consolidated basis were \$3.0 million in the first six months of 2016 as compared to \$3.8 million in 2015. These gross dispositions were comprised of \$1.4 million in the Trucking/Logistics segment (2015 – \$1.1 million) and \$1.7 million in the Oilfield Services segment (2015 – \$2.7 million).

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

Summary – Trailing Six Quarters



Consolidated second quarter financial results were below the prior year levels due to the under performance of the Oilfield Services segment, which continued to experience very challenging market conditions, including limited demand for services, intense competition and pricing pressure across all Business Units in the segment with the exception of Premay Pipeline. In contrast, our Trucking/Logistics segment performed exceptionally well despite the challenges faced by the Alberta economy. Despite a slight decline in revenue, this segment generated record second quarter OIBDA¹.

Revenue

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

Q2 Consolidated Revenue by Segment						
(unaudited)						
(\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Trucking/Logistics	169.3	68.0	174.1	61.0	(4.8)	(2.8)
Oilfield Services	79.5	32.0	111.2	39.0	(31.7)	(28.5)
Corporate and intersegment eliminations	(1.8)	—	(0.5)	—	(1.3)	—
Total	247.0	100.0	284.8	100.0	(37.8)	(13.3)

*as a percentage of pre-consolidated revenue

Consolidated revenue in the second quarter decreased by \$37.8 million, or 13.3 percent, to \$247.0 million as compared to \$284.8 million in 2015. This decrease in revenue was directly attributable to the Oilfield Services segment, which decreased by \$31.7 million, or 28.5 percent, to \$79.5 million as compared to \$111.2 million in the same period one year earlier. The decrease in segment revenue was due to significantly lower demand for its services as a result of extremely low second quarter drilling activity in the western Canada sedimentary

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



basin ("WCSB"), and to a lesser degree, the impact of the Fort McMurray fires. Revenue in the Trucking/Logistics segment decreased by \$4.8 million, or 2.8 percent, to \$169.3 million from \$174.1 million primarily due to a reduction in fuel surcharge revenue, a price deflator during times of declining fuel prices.

Q2 Consolidated Revenue						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2016		2015		Change	
	\$	%	\$	%	\$	%
Company	176.9	71.6	193.3	67.9	(16.4)	(8.5)
Contractors	69.1	28.0	90.2	31.7	(21.1)	(23.4)
Other	1.0	0.4	1.3	0.4	(0.3)	(23.1)
Total	247.0	100.0	284.8	100.0	(37.8)	(13.3)

Revenue related to Company Equipment decreased by \$16.4 million, or 8.5 percent, to \$176.9 million as compared to \$193.3 million in 2015 and represented 71.6 percent of consolidated revenue in the current period compared to 67.9 percent in 2015. Revenue related to Contractors decreased by \$21.1 million, or 23.4 percent, to \$69.1 million as compared to \$90.2 million in 2015 and represented 28.0 percent of consolidated revenue in the current period as compared to 31.7 percent in 2015.

Direct Operating Expenses

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

Q2 Consolidated Direct Operating Expenses						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	45.5	25.7	51.8	26.8	(6.3)	(12.2)
Fuel	14.3	8.1	16.3	8.4	(2.0)	(12.3)
Repairs and maintenance	23.3	13.2	28.3	14.6	(5.0)	(17.7)
Operating supplies	9.6	5.4	10.8	5.6	(1.2)	(11.1)
Other	22.0	12.4	22.5	11.7	(0.5)	(2.2)
	114.7	64.8	129.7	67.1	(15.0)	(11.6)
Contractors	50.4	72.9	67.2	74.5	(16.8)	(25.0)
Total	165.1	66.8	196.9	69.1	(31.8)	(16.2)

*as a percentage of respective Consolidated revenue

DOE were \$165.1 million in the second quarter as compared to \$196.9 million in 2015. The decrease of \$31.8 million, or 16.2 percent, was directly related to the \$37.8 million decrease in consolidated revenue. As a percentage of revenue these expenses decreased by 2.3 percent to 66.8 percent as compared to 69.1 percent in 2015.

DOE associated with Company Equipment decreased to \$114.7 million as compared to \$129.7 million in 2015. The decrease of \$15.0 million, or 11.6 percent, was generally in line with the change in Company revenue that occurred during the quarter. As a percentage of Company revenue these expenses decreased by 2.3 percent to 64.8 percent as compared to 67.1 percent in 2015 due to various cost cutting measures in both segments.

Contractors expense in the second quarter decreased to \$50.4 million, as compared to \$67.2 million in 2015. This \$16.8 million decrease was attributed to declines in both segments. As a percentage of Contractors revenue, Contractors expense decreased by 1.6 percent to 72.9 percent as compared to 74.5 percent in 2015 primarily due to the declines experienced by the Trucking/Logistics segment.



Selling and Administrative Expenses

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

Q2 Consolidated Selling and Administrative Expenses						
(unaudited) (\$ millions)	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	20.4	8.3	23.8	8.4	(3.4)	(14.3)
Communications, utilities and general supplies	9.2	3.7	10.1	3.5	(0.9)	(8.9)
Profit share	3.3	1.3	2.7	0.9	0.6	22.2
Foreign exchange	0.7	0.3	1.5	0.5	(0.8)	(53.3)
Stock-based compensation	0.3	0.1	0.4	0.1	(0.1)	(25.0)
Rent and other	2.0	0.8	3.0	1.2	(1.0)	(33.3)
Total	35.9	14.5	41.5	14.6	(5.6)	(13.5)

*as a percentage of total Consolidated revenue

S&A expenses decreased by \$5.6 million to \$35.9 million in the second quarter as compared to \$41.5 million in 2015. This was mainly attributable to continued cost cutting initiatives, most notably a \$3.4 million reduction in wages and benefit expense. S&A expenses as a percentage of consolidated revenue decreased by 0.1 percent to 14.5 percent in comparison to 14.6 percent in 2015. Excluding foreign exchange effects within the Corporate Office, S&A expenses were \$35.3 million, or 14.3 percent of revenue, as compared to \$40.3 million, or 14.2 percent of revenue, in 2015.

Operating Income Before Depreciation and Amortization

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

Q2 Consolidated Operating Income Before Depreciation and Amortization ⁽¹⁾						
(unaudited) (\$ millions)	2016		2015		Change	
	\$	%	\$	%	\$	%
Trucking/Logistics	30.9	67.2	29.4	63.4	1.5	5.1
Oilfield Services	17.9	38.9	20.3	43.7	(2.4)	(11.8)
Corporate	(2.8)	(6.1)	(3.3)	(7.1)	0.5	(15.2)
Total	46.0	100.0	46.4	100.0	(0.4)	(0.9)

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

OIBDA – adjusted¹ decreased by \$0.9 million, or 1.9 percent, to \$46.6 million as compared to \$47.5 million in 2015. OIBDA – adjusted¹ as a percentage of consolidated revenue was 18.9 percent as compared to 16.7 percent in 2015. Including the foreign exchange gains or losses, OIBDA¹ decreased to \$46.0 million, or 0.9 percent, compared to \$46.4 million in 2015. The decrease was due to the combination of a \$2.4 million decrease in the Oilfield Services segment, a \$1.5 million increase in the Trucking/Logistics segment as well as a \$0.5 million positive variance in foreign exchange recognized within the Corporate Office. As a percentage of consolidated revenue, OIBDA¹ increased to 18.6 percent as compared to 16.3 percent in 2015 primarily due to the increase in margin experienced by both segments due to decreased DOE.

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



Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was \$17.8 million in the second quarter as compared to \$18.7 million in 2015. This decrease of \$0.9 million was attributable to a lower amount of depreciation being recorded in the Oilfield Services segment, which was somewhat offset by a greater amount of depreciation being recorded in the Trucking/Logistics segment. Depreciation in the Oilfield Services segment decreased by \$1.0 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. These decreases were somewhat offset by a greater amount of depreciation recorded on core drilling rigs due to a change in estimate applied prospectively as of July 1, 2015, which was based upon the revised estimated useful life of such equipment. Depreciation in the Trucking/Logistics segment increased by \$0.1 million due to a greater amount of capital expenditures made within this segment and the additional depreciation expense resulting from the acquisition of Courtesy. Depreciation in the Corporate Office remained consistent on a year over year basis.

Amortization of Intangible Assets

Intangible assets are acquired on acquisitions and are mainly comprised of customer relationship values and non-competition agreements that are amortized over their estimated life from the date of acquisition. Amortization of intangible assets was \$4.2 million in the second quarter as compared to \$4.8 million in 2015. This decrease resulted from the reduction in amortization recorded on certain Business Units' intangible assets that have become fully amortized being somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisition of Courtesy.

Finance Costs

Finance costs mainly consist of:

- interest expense on financial liabilities, including:
 - \$70.0 million of Series D Notes, U.S. \$85.0 million of Series E Notes, \$20.0 million of Series F Notes, U.S. \$117.0 million of Series G Notes, U.S. \$112.0 million of Series H Notes, \$30.0 million of Series I Notes, \$3.0 million of Series J Notes, \$58.0 million of Series K Notes and \$80.0 million of Series L Notes (collectively, the "**Private Placement Debt**");
 - the convertible unsecured subordinated debentures (the "**Debentures**") that were issued on May 1, 2009;
 - various financing loans that are secured by specific operating equipment (collectively, the "**Various Financing Loans**");
 - borrowings on the Bank Credit Facility (as hereafter defined on page 42); and
 - accretion expense on debt;
- less any interest income generated from cash and cash equivalents.

Finance costs were \$7.6 million in the second quarter as compared to \$8.5 million in 2015. The decrease of \$0.9 million was mainly attributable to the March 30, 2016, repayment of the Series C Notes (\$70.0 million bearing interest at 5.60 percent per annum). This decrease was somewhat offset by a greater amount of interest expense being recorded on the U.S. dollar debt as a result of the year over year weakening in the Canadian dollar relative to the U.S. dollar in the second quarter of 2016 as compared to 2015.

Net Unrealized Foreign Exchange (Gain) Loss

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



Net unrealized foreign exchange gain was \$5.7 million in the second quarter of 2016 as compared to a loss of \$1.2 million in 2015. The variance of \$6.9 million was mainly attributable to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the net unrealized foreign exchange (gain) loss were as follows:

Net Unrealized Foreign Exchange (Gain) Loss (unaudited) (\$ millions)	Three month periods ended June 30	
	CDN. \$ Equivalent	
	2016	2015
Unrealized foreign exchange gain on U.S. debt	(2.2)	(5.5)
Unrealized foreign exchange (gain) loss on Cross-Currency Swaps	(3.5)	6.7
Net unrealized foreign exchange (gain) loss	(5.7)	1.2

Mullen Group recorded an unrealized foreign exchange gain of \$2.2 million related to the Corporation's U.S. dollar denominated debt due to the \$0.007 strengthening of the Canadian dollar relative to the U.S. dollar during the second quarter of 2016. For the same period in 2015, Mullen Group recorded an unrealized foreign exchange gain of \$5.5 million due to the change in the value of the Canadian dollar relative to the U.S. dollar. The details of the unrealized foreign exchange gain on U.S. debt is summarized in the table below:

Unrealized Foreign Exchange Gain on U.S. Debt (unaudited) (\$ millions, except exchange rate amounts)	Three month periods ended June 30					
	2016			2015		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Ending – June 30	314.0	1.2917	405.6	314.0	1.2490	392.2
Beginning – March 31	314.0	1.2987	407.8	314.0	1.2666	397.7
Unrealized foreign exchange gain on U.S. debt			(2.2)			(5.5)

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

For the three month period ended June 30, 2016, Mullen Group recorded an unrealized foreign exchange gain on Cross-Currency Swaps of \$3.5 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:

Unrealized Foreign Exchange (Gain) Loss on Cross-Currency Swaps (unaudited) (\$ millions)	Three month periods ended June 30			
	2016		2015	
	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	117.0	(1.5)	117.0	3.2
Cross-Currency Swap maturing October 22, 2026	112.0	(2.0)	112.0	3.5
Unrealized foreign exchange (gain) loss on Cross-Currency Swaps		(3.5)		6.7



Other (Income) Expense

Other (income) expense consists of the change in fair value of investments, the gain or loss on sale of the Corporation's assets including property, plant and equipment and earnings from equity investments. Other expense in the second quarter was \$4.3 million, a \$0.8 million negative variance as compared to the \$3.5 million of other expense recorded in 2015. The \$0.8 million negative variance was due to the factors set forth below:

Change in Fair Value of Investments. Mullen Group periodically invests in certain private and public corporations. Mullen Group recorded a decrease in the fair value of investments of \$4.2 million in the second quarter, which was consistent with the 4.2 million decrease in 2015. There were no investments purchased or sold in either the second quarter of 2016 or 2015.

Gain or Loss on Sale of Property, Plant and Equipment (negative variance of \$1.0 million). Mullen Group recognized a loss of \$0.8 million on sale of property, plant and equipment on total consolidated proceeds on sale of \$2.4 million in the second quarter as compared to a \$0.2 million gain on sale of property, plant and equipment on total consolidated proceeds on sale of \$2.2 million in 2015.

Earnings from Equity Investments (positive variance of \$0.2 million). Mullen Group recognized \$0.7 million of earnings from equity investments in the second quarter as compared to earnings of \$0.5 million in 2015. Mullen Group uses the equity method to account for investments in which it obtains significant influence or joint control over the investee and recognizes earnings from these equity investments from the date thereof. There were no equity investments purchased or sold in the second quarter of 2016 as compared to \$5.6 million of equity investments being purchased in 2015. The following table details Mullen Group's equity investments and the date from which it commenced recording earnings from them.

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

Income Taxes

(unaudited) (\$ millions)	Three month periods ended June 30	
	2016	2015
Income before income taxes	\$ 17.8	\$ 9.7
Combined statutory tax rate	27%	26%
Expected income tax	4.8	2.5
Add (deduct):		
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	(0.8)	0.3
Non-deductible portion of the change in fair value of investments	0.6	0.5
Increase in income tax due to changes in income tax rates	—	5.5
Stock-based compensation expense	0.1	0.1
Other	(0.6)	(0.1)
Income tax expense	\$ 4.1	\$ 8.8

Income tax expense was \$4.1 million in the second quarter of 2016 as compared to \$8.8 million in 2015. The decrease of \$4.7 million was mainly attributable to the effect of the Government of Alberta's decision to raise its



corporate income tax rate by 2.0 percent effective July 1, 2015, which resulted in a \$5.5 million increase in income tax expense in the second quarter of 2015.

Net Income

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended June 30		
	2016	2015	% Change
Net income	\$ 13.7	\$ 0.9	1,422.2
Weighted average number of Common Shares outstanding	97,591,794	91,655,112	6.5
Earnings per share – basic	\$ 0.14	\$ 0.01	1,300.0

Net income increased to \$13.7 million in the second quarter as compared to \$0.9 million in 2015. The factors contributing to the increase in net income include:

- a \$6.9 million positive variance in net unrealized foreign exchange;
- a \$4.7 million decrease in income tax expense;
- a \$0.9 million decrease in finance costs;
- a \$0.9 million decrease in depreciation of property, plant and equipment;
- a \$0.6 million decrease in amortization of intangible assets; and
- a \$0.2 million increase in earnings from equity investments.

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

- a \$1.0 million increase in loss on sale of property, plant and equipment; and
- a \$0.4 million decrease in OIBDA¹.

Basic earnings per share increased to \$0.14 in 2016 as compared to \$0.01 in 2015. This increase resulted from the effect of the \$12.8 million increase in net income being partially offset by an increase in the weighted average number of Common Shares outstanding. The weighted average number of Common Shares outstanding increased from 91,655,112 to 97,591,794, which was mainly due to the issuance of Common Shares from the Offering and the Private Placement.

[The remainder of this page intentionally left blank.]

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



Net Income – Adjusted and Earnings per Share – Adjusted

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

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended June 30	
	2016	2015
Income before income taxes	\$ 17.8	\$ 9.7
Add (deduct):		
Net unrealized foreign exchange (gain) loss	(5.7)	1.2
Change in fair value of investments	4.2	4.2
Income before income taxes – adjusted	16.3	15.1
Income tax rate	27%	26%
Computed expected income tax expense	4.4	3.9
Net income – adjusted ⁽¹⁾	11.9	11.2
Weighted average number of Common Shares outstanding – basic	97,591,794	91,655,112
Earnings per share – adjusted ⁽¹⁾	\$ 0.12	\$ 0.12

⁽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 JUNE 30, 2016

Three month period ended June 30, 2016 (unaudited) (\$ millions)	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	169.3	79.5	(1.8)	247.0
Direct operating expenses	117.5	49.7	(2.1)	165.1
Selling and administrative expenses	20.9	11.9	3.1	35.9
Operating income before depreciation and amortization ⁽¹⁾	30.9	17.9	(2.8)	46.0

Three month period ended June 30, 2015 (unaudited) (\$ millions)	Trucking /Logistics	Oilfield Services	Corporate and intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	174.1	111.2	(0.5)	284.8
Direct operating expenses	123.0	75.0	(1.1)	196.9
Selling and administrative expenses	21.7	15.9	3.9	41.5
Operating income before depreciation and amortization ⁽¹⁾	29.4	20.3	(3.3)	46.4

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

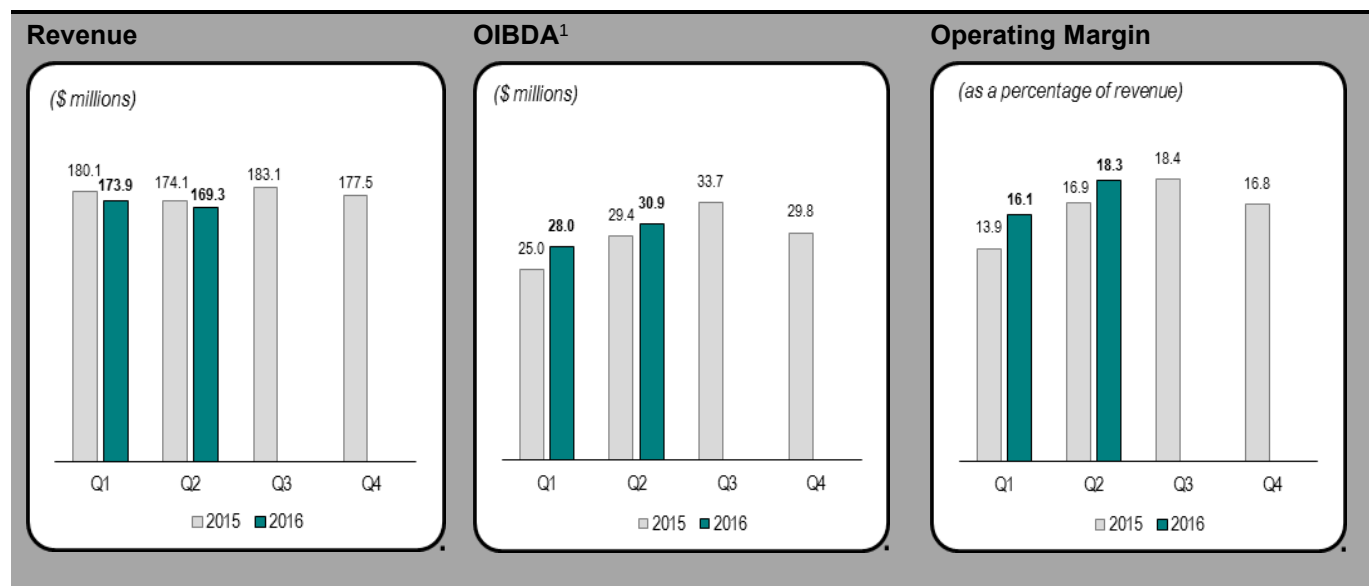
TRUCKING/LOGISTICS SEGMENT

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

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



Summary – Trailing Six 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 contracted by 0.1 percent in April after experiencing modest growth in the first quarter. There continues to be a substantive decline in energy related and resource sector investment affecting economic growth in western Canada. The economy in the rest of Canada appears to be expanding, albeit at a modest pace. It is further estimated that the U.S. economy expanded by 2.6 percent in the second quarter, after expanding by 0.8 percent in the first quarter.

Revenue

Q2 Revenue – Trucking/Logistics (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%	\$	%	\$	%
Company	118.9	70.2	114.6	65.8	4.3	3.8
Contractors	50.4	29.8	59.4	34.1	(9.0)	(15.2)
Other	—	—	0.1	0.1	(0.1)	(100.0)
Total	169.3	100.0	174.1	100.0	(4.8)	(2.8)

The Trucking/Logistics segment generated 68.0 percent of pre-consolidated revenue for the second quarter as compared to 61.0 percent in 2015. Revenue in this segment decreased by \$4.8 million, or 2.8 percent, to \$169.3 million as compared to \$174.1 million in 2015 primarily due to lower fuel surcharge revenue. Fuel surcharge revenue declined by \$3.5 million to \$11.3 million as compared to \$14.8 million in 2015. In addition, revenue was negatively affected by a reduction in demand for transportation services within Alberta. These decreases were somewhat offset by revenue generated by Kleysen related to increased demand for transload services as well as incremental revenue related to the acquisition of Courtesy.

With greater focus on LTL operations and utilization, revenue related to Company Equipment increased by \$4.3 million, or 3.8 percent, to \$118.9 million as compared to \$114.6 million in 2015 and represented 70.2 percent of segment revenue in the current period compared to 65.8 percent in 2015. Revenue related to Contractors decreased by \$9.0 million, or 15.2 percent, to \$50.4 million as compared to \$59.4 million in 2015 and represented 29.8 percent of segment revenue in the current period as compared to 34.1 percent in 2015.

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



Direct Operating Expenses

Q2 Direct Operating Expenses – Trucking/Logistics (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	32.0	26.9	30.9	27.0	1.1	3.6
Fuel	10.6	8.9	11.4	9.9	(0.8)	(7.0)
Repairs and maintenance	14.9	12.5	14.9	13.0	—	—
Operating supplies	4.0	3.4	2.7	2.4	1.3	48.1
Other	19.3	16.3	18.6	16.2	0.7	3.8
	80.8	68.0	78.5	68.5	2.3	2.9
Contractors	36.7	72.8	44.5	74.9	(7.8)	(17.5)
Total	117.5	69.4	123.0	70.6	(5.5)	(4.5)

*as a percentage of respective Trucking/Logistics revenue

DOE were \$117.5 million in the second quarter as compared to \$123.0 million in 2015. The decrease of \$5.5 million, or 4.5 percent, was directly related to the 2.8 percent decrease in segment revenue. Overall as a percentage of revenue these expenses decreased by 1.2 percent to 69.4 percent as compared to 70.6 percent in 2015 due to a larger portion of revenue being generated by Company assets and the decline in Contractors expense as a percentage of revenue.

DOE related to Company Equipment increased by \$2.3 million, or 2.9 percent, to \$80.8 million as compared to \$78.5 million in 2015. This increase was directly related to the \$4.3 million increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased by 0.5 percent to 68.0 percent as compared to 68.5 percent in 2015. This 0.5 percent decrease as a percentage of Company revenue was primarily due to the reduction in fuel expenses that decreased by 1.0 percent of Company revenue to 8.9 percent, or \$10.6 million, as compared to 9.9 percent or \$11.4 million in 2015 largely due to the year over year decrease in diesel fuel prices.

Contractors expense in the second quarter decreased by \$7.8 million to \$36.7 million as compared to \$44.5 million in 2015. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased to 72.8 percent as compared to 74.9 percent in 2015 due to the greater availability of subcontractors in western Canada.

Selling and Administrative Expenses

Q2 Selling and Administrative Expenses – Trucking/Logistics (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	12.8	7.6	13.2	7.6	(0.4)	(3.0)
Communications, utilities and general supplies	5.2	3.1	5.3	3.0	(0.1)	(1.9)
Profit share	2.3	1.4	2.0	1.1	0.3	15.0
Foreign exchange	0.1	0.1	0.2	0.1	(0.1)	(50.0)
Rent and other	0.5	0.1	1.0	0.7	(0.5)	(50.0)
Total	20.9	12.3	21.7	12.5	(0.8)	(3.7)

*as a percentage of total Trucking/Logistics revenue

S&A expenses were \$20.9 million in the second quarter as compared to \$21.7 million in 2015. The decrease of \$0.8 million was primarily due to successful cost cutting initiatives in most areas, most notably wages and benefits, and the \$0.1 million positive variance on foreign exchange. S&A expenses as a percentage of segment revenue decreased to 12.3 percent as compared to 12.5 percent in 2015.



Operating Income Before Depreciation and Amortization

OIBDA¹ for the second quarter increased by \$1.5 million to \$30.9 million, or 5.1 percent, as compared to \$29.4 million generated in the same period last year. This was the highest level of second quarter OIBDA¹ ever attained by this segment. As a percentage of segment revenue, OIBDA¹ increased to 18.3 percent as compared to 16.9 percent in 2015. This 1.4 percent increase in operating margin was primarily due to the lower DOE.

Capital Expenditures

Net capital expenditures¹ were \$5.7 million in the second quarter, a decrease of \$2.1 million as compared to \$7.8 million in 2015. The Trucking/Logistics segment had gross capital expenditures of \$6.9 million and dispositions of \$1.2 million for net capital expenditures¹ of \$5.7 million in 2016. Gross capital expenditures mainly consisted of the purchase of trucks and trailers, as well as various pieces of operating equipment in our LTL operations. In 2015 gross capital expenditures were \$8.5 million and dispositions were \$0.7 million for net capital expenditures¹ of \$7.8 million.

OILFIELD SERVICES SEGMENT

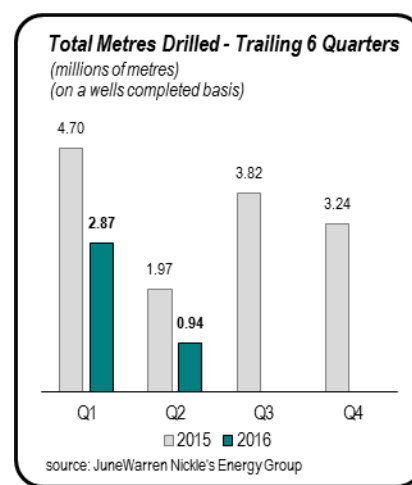
Mullen Group provides the energy sector in northern and western Canada with a wide range of services related to the drilling for oil and natural gas, oil and natural gas production, oil sands infrastructure development and capital projects. At June 30, 2016, the Oilfield Services segment was comprised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

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

Industry Statistics

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

Industry investment and activity in the second quarter was muted. Although commodity prices rebounded somewhat from the thirteen year lows experienced in the first quarter, prices remained volatile and drilling economics continued to be challenging. In addition, fires in Fort McMurray, Alberta interrupted oil sands operations. This negatively impacted drilling activity and investment into capital projects during the quarter.



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

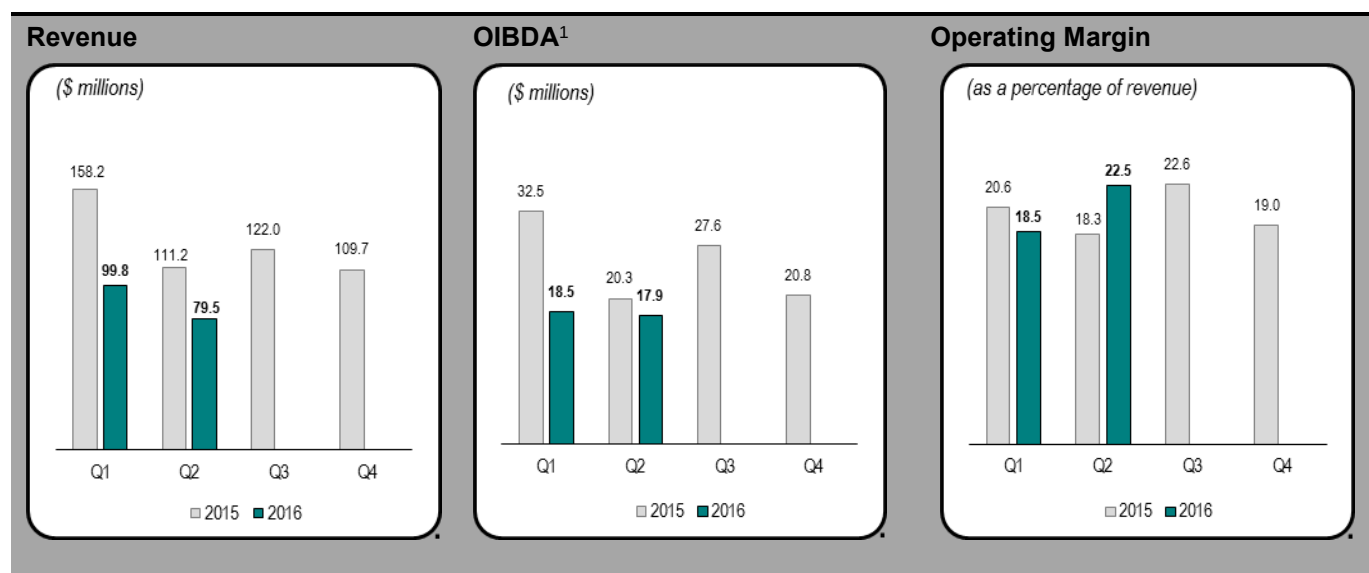


Drilling industry statistics indicate that the average rig count in the WCSB was 49 rigs during the quarter as compared to 95 active rigs in 2015, a decrease of 46 rigs or 48.4 percent. Total wells drilled decreased by 55.5 percent to 320 wells drilled as compared to 719 wells drilled in 2015. The length of metres drilled within such wells decreased by 52.3 percent to 0.94 million metres as compared to 1.97 million metres in 2015.

	Three month periods ended June 30			
	2016	2015	# Change	% Change
British Columbia	36	90	(54)	(60.0)
Alberta	170	365	(195)	(53.4)
Saskatchewan	114	261	(147)	(56.3)
Manitoba	—	3	(3)	(100.0)
Northwest Territories	—	—	—	—
Total	320	719	(399)	(55.5)

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

Summary – Trailing Six Quarters



Revenue

Q2 Revenue – Oilfield Services						
(unaudited)						
(\$ millions)						
	2016		2015		Change	
	\$	%	\$	%	\$	%
Company	58.0	73.0	78.7	70.8	(20.7)	(26.3)
Contractors	21.2	26.7	32.1	28.9	(10.9)	(34.0)
Other	0.3	0.3	0.4	0.3	(0.1)	(25.0)
Total	79.5	100.0	111.2	100.0	(31.7)	(28.5)

The Oilfield Services segment generated 32.0 percent of pre-consolidated revenue for the second quarter as compared to 39.0 percent in 2015. Revenue decreased by \$31.7 million, or 28.5 percent, to \$79.5 million as compared to \$111.2 million in 2015. The decrease in segment revenue was due to revenue declines in every Business Unit within this segment with the exception of Premay Pipeline as lower commodity prices continued to negatively impact current and expected industry cash flows that resulted in significantly reduced capital investment

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



and drilling activity in western Canada. Specifically, the decrease in segment revenue was due to the net effect of the following:

- a \$15.7 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells;
- a \$9.7 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- a \$5.7 million decrease in revenue generated by those Business Units providing specialized services due to a decrease in demand for water management services and other specialized services while being offset by an increase in demand for services associated with large diameter pipeline construction projects; and
- a \$0.8 million decrease in revenue generated by those Business Units providing drilling services due to lower industry activity.

Revenue related to Company Equipment decreased by \$20.7 million, or 26.3 percent, to \$58.0 million as compared to \$78.7 million in 2015 and represented 73.0 percent of segment revenue in the current period compared to 70.8 percent in 2015. Revenue related to Contractors decreased by \$10.9 million, or 34.0 percent, to \$21.2 million as compared to \$32.1 million in 2015 and represented 26.7 percent of segment revenue in the current period as compared to 28.9 percent in 2015.

Direct Operating Expenses

Q2 Direct Operating Expenses – Oilfield Services						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	13.5	23.3	20.9	26.6	(7.4)	(35.4)
Fuel	3.7	6.4	4.9	6.2	(1.2)	(24.5)
Repairs and maintenance	8.3	14.3	13.4	17.0	(5.1)	(38.1)
Operating supplies	5.6	9.7	8.1	10.3	(2.5)	(30.9)
Other	2.5	4.2	3.8	4.8	(1.3)	(34.2)
	33.6	57.9	51.1	64.9	(17.5)	(34.2)
Contractors	16.1	75.9	23.9	74.5	(7.8)	(32.6)
Total	49.7	62.5	75.0	67.4	(25.3)	(33.7)

*as a percentage of respective Oilfield Services revenue

DOE were \$49.7 million in the second quarter as compared to \$75.0 million in 2015. The decrease of \$25.3 million, or 33.7 percent, was directly related to the \$31.7 million, or 28.5 percent, decrease in segment revenue during the quarter. As a percentage of revenue these expenses decreased by 4.9 percent to 62.5 percent compared to 67.4 percent in 2015.

DOE associated with Company Equipment in the second quarter decreased to \$33.6 million as compared to \$51.1 million in 2015. The decrease of \$17.5 million, or 34.2 percent, was directly related to the \$20.7 million, or 26.3 percent, decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 7.0 percent to 57.9 percent as compared to 64.9 percent in 2015 due to cost cutting measures in all areas.

Contractors expense in the second quarter decreased by \$7.8 million to \$16.1 million as compared to \$23.9 million in 2015. This decrease was generally in line with the decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased to 75.9 percent as compared to 74.5 percent in 2015 due to the effect of rate discounting, primarily by those Business Units involved in the transportation of fluids and servicing of wells.



Selling and Administrative Expenses

Q2 Selling and Administrative Expenses – Oilfield Services						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	6.6	8.3	9.4	8.5	(2.8)	(29.8)
Communications, utilities and general supplies	3.2	4.0	4.2	3.8	(1.0)	(23.8)
Profit share	1.0	1.3	0.7	0.6	0.3	42.9
Rent and other	1.1	1.4	1.6	1.4	(0.5)	(31.3)
Total	11.9	15.0	15.9	14.3	(4.0)	(25.2)

*as a percentage of total Oilfield Services revenue

S&A expenses were \$11.9 million in the second quarter as compared to \$15.9 million in 2015. This \$4.0 million decrease was mainly attributable to the \$2.8 million decline in wages and benefits expense as well as other cost cutting initiatives. S&A expenses as a percentage of segment revenue increased by 0.7 percent to 15.0 percent in comparison to 14.3 percent in 2015 due to the overall fixed nature of these expenses relative to the \$31.7 million decrease in revenue.

Operating Income Before Depreciation and Amortization

OIBDA¹ in the second quarter decreased 11.8 percent to \$17.9 million. The \$2.4 million year over year decrease can be attributed to the decline in revenue. Specifically, OIBDA¹ decreased due to the net effect of the following:

- a \$2.0 million decrease in those Business Units involved in the transportation of fluids and servicing of wells;
- a \$2.6 million decrease in those Business Units tied to drilling related activity;
- a \$0.2 million decrease relating to those Business Units involved in drilling services including core drilling; and
- a \$2.2 million increase relating to those Business Units leveraged to the oil sands and pipeline construction projects.

OIBDA¹ represented as a percentage of segment revenue increased to 22.5 percent in the second quarter from 18.3 percent in 2015, primarily due to the 4.9 percent decrease in DOE as a percentage of revenue.

Capital Expenditures

Net capital expenditures¹ were \$(1.0) million in the second quarter of 2016, a decrease of \$3.2 million as compared to \$2.2 million in 2015. The Oilfield Services segment had gross capital expenditures of \$0.4 million and dispositions of \$1.4 million for net capital expenditures¹ of \$(1.0) million in 2016. Gross capital expenditures mainly consisted of the purchase of various pieces of operating equipment for Canadian Dewatering L.P. ("**Canadian Dewatering**"). The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2015 gross capital expenditures were \$3.7 million and dispositions were \$1.5 million for net capital expenditures¹ of \$2.2 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 Corporation's Business Units including coordinating business strategies, monitoring financial and business performance and providing shared services such as payroll services, human resource support, information technology support, legal support and accounting services. The Corporate Office also owns a network of real estate holdings and facilities, through its subsidiary MT, which are leased primarily to the Business Units. Such properties are leased on commercially reasonable terms. In addition, the Corporate Office is responsible for all regulatory and public reporting.

The Corporate Office recorded an operating loss of \$2.8 million in the second quarter as compared to an operating loss of \$3.3 million in 2015. The \$0.5 million decrease in operating loss was mainly attributable to a \$0.5 million positive variance in foreign exchange. In the second quarter of 2016, the Corporate Office recorded a foreign exchange loss of \$0.6 million as compared to a foreign exchange loss of \$1.1 million in 2015. The \$0.6 million foreign exchange loss in 2016 was due to the Corporate Office holding an average of approximately U.S. \$75.0 million of cash combined with a \$0.007 weakening of the U.S. dollar relative to the Canadian dollar. To a lesser extent, the decrease in operating loss was also due to lower salaries, lower stock-based compensation expense and various administrative expenses due to cost control measures. These decreases in operating loss were somewhat offset by some additional costs incurred to relocate a camp facility to Fort McMurray, Alberta to accommodate our employees, which was a direct result of the wildfires in the region that occurred during the quarter.

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CONSOLIDATED FINANCIAL RESULTS – SIX MONTH PERIOD ENDED JUNE 30, 2016

Revenue

Consolidated Revenue by Segment Six month periods ended June 30 (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Trucking/Logistics	343.2	65.7	354.2	56.8	(11.0)	(3.1)
Oilfield Services	179.3	34.3	269.4	43.2	(90.1)	(33.4)
Corporate and intersegment eliminations	(3.8)	—	(1.6)	—	(2.2)	—
Total	518.7	100.0	622.0	100.0	(103.3)	(16.6)

*as a percentage of pre-consolidated revenue

Mullen Group's consolidated revenue in 2016 decreased by \$103.3 million, or 16.6 percent, to \$518.7 million as compared to \$622.0 million in 2015. This decrease in revenue was primarily due to a significant decline in revenue generated by the Oilfield Services segment accompanied by a modest reduction in revenue generated by the Trucking/Logistics segment. Revenue decreased by \$65.5 million and \$37.8 million in the first and second quarters, respectively.

Revenue in the Oilfield Services segment decreased by \$90.1 million, or 33.4 percent, to \$179.3 million as compared to \$269.4 million in the same period one year earlier. This decrease was due to significant reductions in drilling activity and investments into capital projects and intense competition. Revenue in the Trucking/Logistics segment decreased by \$11.0 million, or 3.1 percent, to \$343.2 million as compared to \$354.2 million in 2015. This \$11.0 million decrease was largely due to lower fuel surcharge revenue.

Consolidated Revenue Six month periods ended June 30 (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%	\$	%	\$	%
Company	366.8	70.7	409.8	65.9	(43.0)	(10.5)
Contractors	149.8	28.9	209.4	33.7	(59.6)	(28.5)
Other	2.1	0.4	2.8	0.4	(0.7)	(25.0)
Total	518.7	100.0	622.0	100.0	(103.3)	(16.6)

Revenue related to Company Equipment decreased by \$43.0 million, or 10.5 percent, to \$366.8 million as compared to \$409.8 million in 2015. Revenue related to Company Equipment represented 70.7 percent of consolidated revenue in the current period as compared to 65.9 percent in 2015. Revenue related to Contractors decreased by \$59.6 million, or 28.5 percent, to \$149.8 million as compared to \$209.4 million in 2015, and represented 28.9 percent of consolidated revenue in the current period as compared to 33.7 percent in 2015.



Direct Operating Expenses

Consolidated Direct Operating Expenses Six month periods ended June 30 (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	97.3	26.5	112.7	27.5	(15.4)	(13.7)
Fuel	28.9	7.9	37.6	9.2	(8.7)	(23.1)
Repairs and maintenance	47.7	13.0	57.4	14.0	(9.7)	(16.9)
Operating supplies	24.1	6.6	27.2	6.6	(3.1)	(11.4)
Other	45.5	12.4	44.7	10.9	0.8	1.8
	243.5	66.4	279.6	68.2	(36.1)	(12.9)
Contractors	109.4	73.0	157.4	75.2	(48.0)	(30.5)
Total	352.9	68.0	437.0	70.3	(84.1)	(19.2)

*as a percentage of respective Consolidated revenue

DOE in 2016 were \$352.9 million as compared to \$437.0 million in 2015. The decrease of \$84.1 million, or 19.2 percent, was directly related to the \$103.3 million decrease in consolidated revenue. As a percentage of revenue these expenses decreased by 2.3 percent to 68.0 percent as compared to 70.3 percent in 2015 due to a larger portion of revenue being generated by Company assets and the decline in Contractors expense as a percentage of revenue.

In 2016 DOE associated with Company Equipment decreased to \$243.5 million as compared to \$279.6 million in 2015. The decrease of \$36.1 million, or 12.9 percent, was due to the \$37.7 million decrease in DOE within the Oilfield Services segment. As a percentage of Company revenue these expenses decreased to 66.4 percent as compared to 68.2 percent in 2015. Company expenses as a percentage of Company revenue decreased by 1.8 percent primarily due to lower fuel expense in both segments and cost management initiatives.

Contractors expense in 2016 decreased by \$48.0 million to \$109.4 million, as compared to \$157.4 million in 2015 due to the \$59.6 million decrease in Contractors revenue primarily due to reductions experienced by the Oilfield Services segment. As a percentage of Contractors revenue, Contractors expense decreased by 2.2 percent to 73.0 percent as compared to 75.2 percent in 2015 due to the greater availability of Contractors in the markets we serve.

Selling and Administrative Expenses

Consolidated Selling and Administrative Expenses Six month periods ended June 30 (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	42.1	8.1	47.7	7.7	(5.6)	(11.7)
Communications, utilities and general supplies	19.3	3.7	21.1	3.4	(1.8)	(8.5)
Profit share	6.6	1.3	5.7	0.9	0.9	15.8
Foreign exchange	7.7	1.5	(7.1)	(1.1)	14.8	(208.5)
Stock-based compensation	0.6	0.1	0.7	0.1	(0.1)	(14.3)
Rent and other	4.6	0.9	5.7	0.8	(1.1)	(19.3)
Total	80.9	15.6	73.8	11.8	7.1	9.6

*as a percentage of total Consolidated revenue

S&A expenses increased by \$7.1 million to \$80.9 million in 2016 as compared to \$73.8 million in 2015 due to a \$14.8 million negative variance in foreign exchange that was partially offset by cost cutting measures, most notably a \$5.6 million reduction in wages and benefit expense. S&A expenses as a percentage of consolidated revenue increased by 3.8 percent to 15.6 percent in comparison to 11.8 percent in 2015.



Operating Income Before Depreciation and Amortization

OIBDA – adjusted¹ decreased by \$12.8 million, or 12.2 percent, to \$92.1 million as compared to \$104.9 million in 2015. OIBDA – adjusted¹ as a percentage of consolidated revenue was 17.8 percent as compared to 16.9 percent in 2015. OIBDA – adjusted¹ decreased by \$11.9 million and \$0.9 million in the first and second quarters, respectively. Including the foreign exchange gains or losses, OIBDA¹ decreased to \$84.9 million, or 23.7 percent, as compared to \$111.2 million generated in 2015. The decrease of \$26.3 million was primarily due to the Oilfield Services segment that experienced a \$16.4 million decrease in OIBDA¹ being somewhat offset by the Trucking/Logistics segment that experienced a \$4.5 million increase in OIBDA¹. Corporate costs increased by \$14.4 million on a year over year basis primarily due to the \$13.5 million negative variance in foreign exchange. As a percentage of revenue, OIBDA¹ decreased to 16.4 percent as compared to 17.9 percent in 2015 due to the negative foreign exchange variance being somewhat offset by the improvement in margin experienced by both segments.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment was \$35.6 million in the first six months of 2016 as compared to \$36.4 million in 2015. This decrease of \$0.8 million was attributable to a lower amount of depreciation being recorded in the Oilfield Services segment, which was somewhat offset by a greater amount of depreciation being recorded in the Trucking/Logistics segment. Depreciation in the Oilfield Services segment decreased by \$1.2 million due to the reduction in the amount of capital expenditures made within this segment, the sale of older assets by certain Business Units and from the Corporation's declining balance method of depreciation. These decreases were somewhat offset by a greater amount of depreciation recorded on core drilling rigs due to a change in estimate applied prospectively as of July 1, 2015, which was based upon the revised estimated useful life of such equipment. Depreciation in the Trucking/Logistics segment increased by \$0.3 million, which was mainly due to a greater amount of capital expenditures made within this segment and the additional depreciation expense resulting from the acquisition of Courtesy. Depreciation in the Corporate Office remained consistent on a year over year basis.

Amortization of Intangible Assets

Amortization of intangible assets was \$8.9 million in the first six months of 2016 as compared to \$9.5 million in 2015. This decrease resulted from the reduction in amortization recorded on certain Business Units' intangible assets that have become fully amortized being somewhat offset by the additional amortization recorded on the intangible assets associated with the acquisition of Courtesy.

Finance Costs

Finance costs were \$17.1 million in the first six months of 2016 as compared to \$17.5 million in 2015. The decrease of \$0.4 million was mainly attributable to the March 30, 2016, repayment of the Series C Notes (\$70.0 million bearing interest at 5.60 percent per annum). Despite recording an additional \$0.8 million of finance costs in the first quarter of 2016, Mullen Group reduced its overall finance costs by \$0.2 million by repaying the Series C Notes early due to certain prepayment credits received from the noteholders. This decrease was somewhat offset by a greater amount of interest expense being recorded on the U.S. dollar debt as a result of the year over year weakening in the Canadian dollar relative to the U.S. dollar.

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



Net Unrealized Foreign Exchange (Gain) Loss

Net unrealized foreign exchange gain was \$22.2 million in the first six months of 2016 as compared to a loss of \$18.9 million in 2015. The components of net unrealized foreign exchange (gain) loss were as follows:

Net Unrealized Foreign Exchange (Gain) Loss (unaudited) (\$ millions)	Six month periods ended June 30		
	CDN. \$ Equivalent		
	2016		2015
Unrealized foreign exchange (gain) loss on U.S. debt	(29.0)		27.9
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps	6.8		(9.0)
Net unrealized foreign exchange (gain) loss	(22.2)		18.9

Mullen Group recorded an unrealized foreign exchange gain of \$29.0 million related to the Corporation's U.S. dollar denominated debt due to the \$0.0923 strengthening of the Canadian dollar relative to the U.S. dollar in the first six months of 2016. For the same period in 2015, Mullen Group recorded an unrealized foreign exchange loss of \$27.9 million due to the change in value of the Canadian dollar relative to the U.S. dollar. The details of the unrealized foreign exchange (gain) loss on U.S. debt is summarized in the table below:

Unrealized Foreign Exchange (Gain) Loss on U.S. Debt (unaudited) (\$ millions, except exchange rate amounts)	Six month periods ended June 30					
	2016			2015		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
Ending – June 30	314.0	1.2917	405.6	314.0	1.2490	392.2
Beginning – January 1	314.0	1.3840	434.6	314.0	1.1601	364.3
Unrealized foreign exchange (gain) loss on U.S. debt			(29.0)			27.9

Mullen Group recorded an unrealized foreign exchange loss on Cross-Currency Swaps of \$6.8 million in the first six months of 2016 as compared to a \$9.0 million gain in 2015. This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Unrealized Foreign Exchange Loss (Gain) on Cross-Currency Swaps (unaudited) (\$ millions)	Six month periods ended June 30			
	2016		2015	
	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	117.0	4.0	117.0	(5.0)
Cross-Currency Swap maturing October 22, 2026	112.0	2.8	112.0	(4.0)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		6.8		(9.0)

Other (Income) Expense

Other expense was \$3.9 million for the first six months of 2016 as compared to \$7.5 million in 2015. The \$3.6 million positive variance was due to the factors set forth below:

Change in fair value of investments (positive variance of \$4.2 million). Mullen Group recorded a decrease in the fair value of investments of \$4.3 million in the first six months of 2016 as compared to an \$8.5 million decrease in 2015. There were no investments purchased or sold during the first six months of 2016 or 2015.



Loss on sale of property, plant and equipment (negative variance of \$0.8 million). Mullen Group recognized a loss of \$0.8 million on sale of property, plant and equipment on consolidated proceeds on sale of \$3.0 million in the first six months of 2016 as compared to a nominal loss on consolidated proceeds on sale of \$3.8 million in 2015.

Earnings from Equity Investments (positive variance of \$0.2 million). Mullen Group recognized \$1.2 million of earnings from equity investments in the first six months of 2016 as compared to \$1.0 million in 2015. There were no equity investments purchased or sold in the first six months of 2016 as compared to \$5.6 million of equity investments being purchased in 2015.

Income Taxes

<i>(unaudited)</i> (\$ millions)	Six month periods ended June 30	
	2016	2015
Income before income taxes	\$ 41.6	\$ 21.4
Combined statutory tax rate	27%	26%
Expected income tax	11.2	5.6
Add (deduct):		
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	(3.0)	2.5
Non-deductible portion of the change in fair value of investments	0.6	1.1
Increase in income tax due to changes in income tax rates	—	5.5
Stock-based compensation expense	0.2	0.2
Other	(2.5)	2.8
Income tax expense	\$ 6.5	\$ 17.7

Income tax expense was \$6.5 million in the first six months of 2016 as compared to \$17.7 million in 2015. The decrease of \$11.2 million was mainly attributable to the variance in net unrealized foreign exchange and from the effect of the Government of Alberta's decision to raise its corporate income tax rate by 2.0 percent effective July 1, 2015, which resulted in a \$5.5 million increase in income tax expense in 2015.

Net Income

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Six month periods ended June 30		
	2016	2015	% Change
Net income	\$ 35.1	\$ 3.7	848.6
Weighted average number of Common Shares outstanding	94,626,430	91,644,560	3.3
Earnings per share – basic	\$ 0.37	\$ 0.04	825.0

Net income increased to \$35.1 million in the first six months of 2016 as compared to \$3.7 million in 2015. The factors contributing to the increase in net income include:

- a \$41.1 million positive variance in net unrealized foreign exchange;
- an \$11.2 million decrease in income tax expense;
- a \$4.2 million positive variance in the fair value of investments;
- a \$0.8 million decrease in depreciation of property, plant and equipment;
- a \$0.6 million decrease in amortization of intangible assets;



- a \$0.4 million decrease in finance costs; and
- a \$0.2 million increase in earnings from equity investments.

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

- a \$26.3 million decrease in OIBDA¹; and
- a \$0.8 million increase in loss on sale of property, plant and equipment.

Basic earnings per share increased to \$0.37 in 2016 as compared to \$0.04 in 2015. This increase resulted from the effect of the \$31.4 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 91,644,560 to 94,626,430, which was mainly due to the issuance of Common Shares from the Offering and the Private Placement.

Net Income – Adjusted and Earnings per Share – Adjusted

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

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Six month periods ended June 30	
	2016	2015
Income before income taxes	\$ 41.6	\$ 21.4
Add (deduct):		
Net unrealized foreign exchange (gain) loss	(22.2)	18.9
Change in fair value of investments	4.3	8.5
Income before income taxes – adjusted	23.7	48.8
Income tax rate	27%	26%
Computed expected income tax expense	6.4	12.7
Net income – adjusted ⁽¹⁾	17.3	36.1
Weighted average number of Common Shares outstanding – basic	94,626,430	91,644,560
Earnings per share – adjusted ⁽¹⁾	\$ 0.18	\$ 0.39

⁽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 – SIX MONTH PERIOD ENDED JUNE 30, 2016

Six month period ended June 30, 2016 (unaudited) (\$ millions)	Trucking /Logistics	Oilfield Services	Corporate and Intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	343.2	179.3	(3.8)	518.7
Direct operating expenses	240.1	117.2	(4.4)	352.9
Selling and administrative expenses	44.2	25.7	11.0	80.9
Operating income before depreciation and amortization ⁽¹⁾	58.9	36.4	(10.4)	84.9

Six month period ended June 30, 2015 (unaudited) (\$ millions)	Trucking /Logistics	Oilfield Services	Corporate and Intersegment eliminations	Total
	\$	\$	\$	\$
Revenue	354.2	269.4	(1.6)	622.0
Direct operating expenses	256.6	183.7	(3.3)	437.0
Selling and administrative expenses	43.2	32.9	(2.3)	73.8
Operating income before depreciation and amortization ⁽¹⁾	54.4	52.8	4.0	111.2

⁽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 Six month periods ended June 30 (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%	\$	%	\$	%
Company	236.6	68.9	228.0	64.4	8.6	3.8
Contractors	106.3	31.0	125.9	35.5	(19.6)	(15.6)
Other	0.3	0.1	0.3	0.1	—	—
Total	343.2	100.0	354.2	100.0	(11.0)	(3.1)

The Trucking/Logistics segment generated 65.7 percent of pre-consolidated revenue in 2016 as compared to 56.8 percent in 2015. Revenue in this segment decreased by \$11.0 million, or 3.1 percent, to \$343.2 million as compared to \$354.2 million in 2015 primarily due to lower fuel surcharge revenue as well as decreased demand for most freight services in western Canada, and Alberta in particular. Fuel surcharge revenue decreased by \$7.2 million to \$21.9 million as compared to \$29.1 million in 2015. These decreases were partially offset by revenue generated by Kleysen related to increased demand for transload services, modestly increased demand and market share gains in Manitoba and Saskatchewan as well as incremental revenue related to the acquisition of Courtesy. Revenue declined by \$6.2 million and \$4.8 million in the first and second quarters, respectively.



Direct Operating Expenses

Direct Operating Expenses – Trucking/Logistics						
Six month periods ended June 30						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	63.4	26.8	61.9	27.1	1.5	2.4
Fuel	20.5	8.7	24.6	10.8	(4.1)	(16.7)
Repairs and maintenance	28.2	11.9	28.3	12.4	(0.1)	(0.4)
Operating supplies	11.4	4.8	9.6	4.2	1.8	18.8
Other	39.3	16.6	37.4	16.5	1.9	5.1
	162.8	68.8	161.8	71.0	1.0	0.6
Contractors	77.3	72.7	94.8	75.3	(17.5)	(18.5)
Total	240.1	70.0	256.6	72.4	(16.5)	(6.4)

*as a percentage of respective Trucking/Logistics revenue

DOE in 2016 were \$240.1 million as compared to \$256.6 million in 2015. The decrease of \$16.5 million, or 6.4 percent, was generally in line with the decrease in revenue. Overall as a percentage of revenue these expenses decreased by 2.4 percent to 70.0 percent as compared to 72.4 percent in 2015 due to a larger portion of revenue being generated by Company assets and the decline in Contractors expense as a percentage of revenue.

DOE related to Company Equipment increased by \$1.0 million to \$162.8 million as compared to \$161.8 million in 2015. This 0.6 percent increase was generally in line with the 3.8 percent increase in Company revenue. In terms of a percentage of revenue, Company expenses decreased to 68.8 percent as compared to 71.0 percent in 2015. This 2.2 percent decrease as a percentage of Company revenue was due to the net effect of the following:

- fuel expenses that decreased by 2.1 percent of Company revenue to 8.7 percent, or \$20.5 million, as compared to 10.8 percent or \$24.6 million in 2015 largely due to the year over year decrease in diesel prices;
- operating supplies that increased by 0.6 percent of Company revenue to 4.8 percent, or \$11.4 million, as compared to 4.2 percent or \$9.6 million in 2015 largely due to the year over year increase in sale of industrial and aggregate products; and
- continued focus on cost control.

Contractors expense in 2016 decreased by \$17.5 million to \$77.3 million, as compared to \$94.8 million in 2015 due to the \$19.6 million decline in Contractors revenue. As a percentage of Contractors revenue, Contractors expense decreased to 72.7 percent as compared to 75.3 percent in 2015 due to the greater availability of subcontractors in western Canada.

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Selling and Administrative Expenses

Selling and Administrative Expenses – Trucking/Logistics						
Six month periods ended June 30						
<i>(unaudited)</i>						
<i>(\$ millions)</i>						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	26.0	7.6	26.6	7.5	(0.6)	(2.3)
Communications, utilities and general supplies	11.2	3.3	11.2	3.2	—	—
Profit share	4.6	1.3	3.9	1.1	0.7	17.9
Foreign exchange	0.5	0.1	(0.7)	(0.2)	1.2	(171.4)
Rent and other	1.9	0.6	2.2	0.6	(0.3)	(13.6)
Total	44.2	12.9	43.2	12.2	1.0	2.3

*as a percentage of total Trucking/Logistics revenue

S&A expenses in 2016 were \$44.2 million as compared to \$43.2 million in 2015. The increase of \$1.0 million was primarily due a \$1.2 million negative variance in foreign exchange, incremental S&A expenses due to the Courtesy acquisition and a \$0.7 million increase in profit share expense being somewhat offset by cost control initiatives. S&A expenses as a percentage of segment revenue increased by 0.7 percent to 12.9 percent in comparison to 12.2 percent in 2015.

Operating Income Before Depreciation and Amortization

OIBDA¹ in 2016 increased by \$4.5 million to \$58.9 million, or 8.3 percent, as compared to \$54.4 million generated in the same period last year. As a percentage of segment revenue, OIBDA¹ increased to 17.2 percent as compared to 15.4 percent in 2015. This 1.8 percent increase in operating margin was primarily due to the lower DOE. OIBDA¹ rose by \$3.0 million and \$1.5 million in the first and second quarters, respectively.

Capital Expenditures

Net capital expenditures¹ were \$9.2 million in the first six months of 2016, a decrease of \$3.8 million as compared to \$13.0 million in 2015. The Trucking/Logistics segment had gross capital expenditures of \$10.6 million and dispositions of \$1.4 million for net capital expenditures¹ of \$9.2 million in 2016. Gross capital expenditures mainly consisted of the purchase of trucks and trailers as well as various pieces of operating equipment. In 2015 gross capital expenditures were \$14.1 million and dispositions were \$1.1 million for net capital expenditures¹ of \$13.0 million.

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



OILFIELD SERVICES SEGMENT

Drilling activity in the WCSB, as reported in terms of active rig count, total wells drilled and length of metres drilled within such wells, declined significantly in 2016 as compared to the prior year. Industry statistics indicate that the average active rig count was 106 rigs during 2016 as compared to 193 active rigs in 2015, a decrease of 87 rigs or 45.1 percent. In addition, total wells drilled in 2016 decreased by 44.5 percent to 1,431 wells drilled in the period as compared to 2,579 wells drilled in 2015. The length of metres drilled within such wells decreased by 42.9 percent during the current period to 3.81 million metres as compared to 6.67 million metres in 2015.

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

	Six month periods ended June 30			
	2016	2015	# Change	% Change
British Columbia	169	277	(108)	(39.0)
Alberta	717	1,376	(659)	(47.9)
Saskatchewan	504	828	(324)	(39.1)
Manitoba	41	98	(57)	(58.2)
Northwest Territories	—	—	—	—
Total	1,431	2,579	(1,148)	(44.5)

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

Revenue

Revenue – Oilfield Services Six month periods ended June 30 (unaudited) (\$ millions)						
	2016		2015		Change	
	\$	%	\$	%	\$	%
Company	130.2	72.6	181.8	67.5	(51.6)	(28.4)
Contractors	48.3	26.9	86.6	32.1	(38.3)	(44.2)
Other	0.8	0.5	1.0	0.4	(0.2)	(20.0)
Total	179.3	100.0	269.4	100.0	(90.1)	(33.4)

The Oilfield Services segment generated 34.3 percent of pre-consolidated revenue in the first six months of 2016 as compared to 43.2 percent in 2015. Revenue in this segment decreased by \$90.1 million, or 33.4 percent, to \$179.3 million as compared to \$269.4 million in 2015 due to significant reductions in drilling activity and investments into capital projects as well as intense competition. Revenue decreased by \$58.4 million and \$31.7 million in the first and second quarters, respectively. Specific factors affecting the Oilfield Services segments' year to date revenue were:

- a \$48.9 million decrease in revenue generated by those Business Units involved in the transportation of fluids and servicing of wells;
- a \$30.6 million decrease in revenue generated by those Business Units most directly tied to oil and natural gas drilling activity;
- a \$5.8 million decrease in revenue generated by those Business Units providing specialized services to the oil sands and water management industries being somewhat offset by an increase in demand for services associated with large diameter pipeline construction projects; and
- a \$5.2 million decrease in revenue generated by those Business Units providing drilling services including core drilling for the oil sands.



Direct Operating Expenses

Direct Operating Expenses – Oilfield Services						
Six month periods ended June 30						
(unaudited)						
(\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Company						
Wages and benefits	33.9	26.0	50.8	27.9	(16.9)	(33.3)
Fuel	8.4	6.5	13.0	7.2	(4.6)	(35.4)
Repairs and maintenance	19.4	14.9	29.1	16.0	(9.7)	(33.3)
Operating supplies	12.7	9.8	17.6	9.7	(4.9)	(27.8)
Other	5.9	4.5	7.5	4.1	(1.6)	(21.3)
	80.3	61.7	118.0	64.9	(37.7)	(31.9)
Contractors	36.9	76.4	65.7	75.9	(28.8)	(43.8)
Total	117.2	65.4	183.7	68.2	(66.5)	(36.2)

*as a percentage of respective Oilfield Services revenue

DOE were \$117.2 million in 2016 as compared to \$183.7 million in 2015. The decrease of \$66.5 million, or 36.2 percent, was directly related to the \$90.1 million decline in segment revenue. As a percentage of revenue these expenses decreased by 2.8 percent to 65.4 percent compared to 68.2 percent in 2015.

In 2016 DOE associated with Company Equipment decreased by \$37.7 million, or 31.9 percent, to \$80.3 million as compared to \$118.0 million in 2015. This \$37.7 million decrease was directly related to the \$51.6 million decrease in Company revenue. As a percentage of Company revenue these expenses decreased by 3.2 percent to 61.7 percent as compared to 64.9 percent in 2015 primarily due to aggressive cost management that resulted in reductions in nearly all areas, most notably a 1.9 percent reduction as a percentage of Company revenue in wages and benefits expense.

Contractors expense in 2016 decreased to \$36.9 million, as compared to \$65.7 million in 2015. This \$28.8 million decrease was directly related to the \$38.3 million decrease in Contractors revenue. As a percentage of Contractors revenue, Contractors expense increased slightly to 76.4 percent as compared to 75.9 percent.

Selling and Administrative Expenses

Selling and Administrative Expenses – Oilfield Services						
Six month periods ended June 30						
(unaudited)						
(\$ millions)						
	2016		2015		Change	
	\$	%*	\$	%*	\$	%
Wages and benefits	14.7	8.2	19.1	7.1	(4.4)	(23.0)
Communications, utilities and general supplies	6.8	3.8	8.9	3.3	(2.1)	(23.6)
Profit share	2.0	1.1	1.8	0.7	0.2	11.1
Rent and other	2.2	1.2	3.1	1.1	(0.9)	(29.0)
Total	25.7	14.3	32.9	12.2	(7.2)	(21.9)

*as a percentage of total Oilfield Services revenue

S&A expenses in 2016 decreased by \$7.2 million to \$25.7 million as compared to \$32.9 million in 2015 primarily due to the \$4.4 million decrease in wages and benefits expenses as well as various cost control initiatives. S&A expenses as a percentage of segment revenue increased by 2.1 percent to 14.3 percent due to the overall fixed nature of these expenses relative to the \$90.1 million decline in segment revenue.



Operating Income Before Depreciation and Amortization

OIBDA¹ in 2016 decreased by \$16.4 million, or 31.1 percent, to \$36.4 million. OIBDA¹ decreased by \$14.0 million and \$2.4 million in the first and second quarters, respectively. The \$16.4 million year over year decrease can be attributed to the following:

- a \$10.5 million decrease in those Business Units involved in the transportation of fluids and servicing of wells;
- a \$7.6 million decrease from Business Units tied to drilling related activity;
- a \$2.6 million decrease from Business Units providing drilling services; and
- a \$4.2 million increase relating to those Business Units leveraged to the oil sands and pipeline construction projects.

OIBDA¹ represented as a percentage of segment revenue, increased to 20.3 percent in 2016 from 19.6 percent in 2015. The 0.7 percent increase in operating margin was due to the decrease in DOE as a percentage of segment revenue.

Capital Expenditures

Net capital expenditures¹ were \$(0.8) million in the first six months of 2016, a decrease of \$7.5 million as compared to \$6.7 million in 2015. The Oilfield Services segment had gross capital expenditures of \$0.9 million and dispositions of \$1.7 million for net capital expenditures¹ of \$(0.8) million in 2016. Gross capital expenditures mainly consisted of the purchase of operating equipment for Canadian Dewatering and Premay Pipeline. The majority of the dispositions related to the sale of older trucks, trailers and operating equipment. In 2015 gross capital expenditures were \$9.4 million and dispositions were \$2.7 million for net capital expenditures¹ of \$6.7 million. A significant portion of the 2015 gross capital expenditures consisted of equipment that had been ordered in the prior year.

CORPORATE

The Corporate Office experienced an operating loss of \$10.4 million in the first six months of 2016 as compared to generating a profit of \$4.0 million in 2015. The \$14.4 million year over year variance was mainly attributable to a \$13.5 million negative variance in foreign exchange. In the first six months of 2016, the Corporate Office recorded a foreign exchange loss of \$7.2 million as compared to a foreign exchange gain of \$6.3 million in 2015. The \$7.2 million foreign exchange loss in 2016 was due to the Corporate Office holding an average of approximately U.S. \$75.0 million of cash combined with a \$0.0923 weakening of the U.S. dollar relative to the Canadian dollar. To a lesser extent, the increase in operating loss was also due to a reduction in costs recovered from the Business Units and some additional costs incurred to relocate a camp facility to Fort McMurray, Alberta. These increases to the operating loss were somewhat offset by lower salaries and lower stock-based compensation expense.

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)	Six month periods ended June 30			
	2016		2015	
Net cash from operating activities	\$	83.4	\$	104.6
Net cash from (used in) financing activities		20.7		(74.2)
Net cash used in investing activities		(8.0)		(224.1)
Change in cash and cash equivalents		96.1		(193.7)
Effect of exchange rate fluctuations on cash held		(7.1)		6.6
Cash and cash equivalents, beginning of period		147.2		325.4
Cash and cash equivalents, end of period	\$	236.2	\$	138.3

Sources and Uses of Cash

Net cash from operating activities in the first six months of 2016 decreased to \$83.4 million as compared to \$104.6 million in 2015. The decrease of \$21.2 million, or 20.3 percent, was mainly due to a \$26.3 million reduction in OIBDA¹ and a \$16.1 million change in non-cash working capital items from operating activities in 2016 as compared to 2015. These items were somewhat offset by a \$7.6 million reduction in the amount of income taxes paid in the first six months of 2016 as compared to 2015.

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

Changes in Non-Cash Working Capital Items from Operating Activities				
(unaudited) (\$ millions)	Six month periods ended June 30			
	2016	2015	Variance	
	\$	\$	\$	
Sources (uses) of cash				
Trade and other receivables	7.8	64.9	(57.1)	
Inventory	0.5	(3.4)	3.9	
Prepaid expenses	(3.4)	(7.5)	4.1	
Accounts payable and accrued liabilities	2.1	(30.9)	33.0	
Total sources (uses) of cash from non-cash working capital items	7.0	23.1	(16.1)	

Operating Activities

In the first six months of 2016, Mullen Group generated \$7.0 million of cash from changes in non-cash working capital items from operating activities as compared to generating \$23.1 million of cash in 2015. This \$16.1 million variance was mainly due to the factors listed below.

- An additional \$57.1 million of cash was used from trade and other receivables that resulted from the combined effect of a \$7.8 million source of cash in 2016 as compared to a \$64.9 million source of cash in 2015.

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



Somewhat offsetting this item was the following:

- An additional \$33.0 million of cash was generated from accounts payable and accrued liabilities that resulted from the combined effect of a \$2.1 million source of cash in 2016 as compared to a \$30.9 million use of cash in 2015.
- An additional \$4.1 million of cash was generated from prepaid expenses that resulted from the combined effect of a \$3.4 million use of cash in 2016 as compared to a \$7.5 million use of cash in 2015.
- An additional \$3.9 million of cash was generated from inventory that resulted from the combined effect of a \$0.5 million source of cash in 2016 as compared to a \$3.4 million use of cash in 2015.

Financing Activities

Net cash from financing activities was \$20.7 million in the first six months of 2016 as compared to a \$74.2 million use of cash in 2015. This \$94.9 million variance was mainly due to the factors set forth below.

- An additional \$153.2 million of cash was generated from closing the Offering and the Private Placement in the second quarter of 2016.
- A \$13.4 million decrease in dividends paid to shareholders in the first six months of 2016 as compared to 2015 due to reductions in the monthly dividend in 2016.

Somewhat offsetting these items were the following:

- A \$70.0 million increase in the repayment of long-term debt and loans in 2016 as compared to 2015. The increase of \$70.0 million was mainly due to repaying the Series C (\$70.0 million) Notes in the first quarter of 2016.
- A \$35.0 million increase in cash was obtained from borrowings in the first quarter of 2016 under the Bank Credit Facility (as hereafter defined on page 42), which was subsequently repaid in the second quarter of 2016.
- A reduction of \$0.8 million of cash received from the exercise of stock options.
- A \$0.3 million increase in interest paid on long-term debt, which was mainly due to a greater amount of interest paid on U.S. dollar debt as a result of the year over year weakening in the Canadian dollar relative to the U.S. dollar.

Investing Activities

Net cash used in investing activities decreased to \$8.0 million in the first six months of 2016 as compared to \$224.1 million in 2015. This \$216.1 million decrease was mainly due to the factors set forth below.

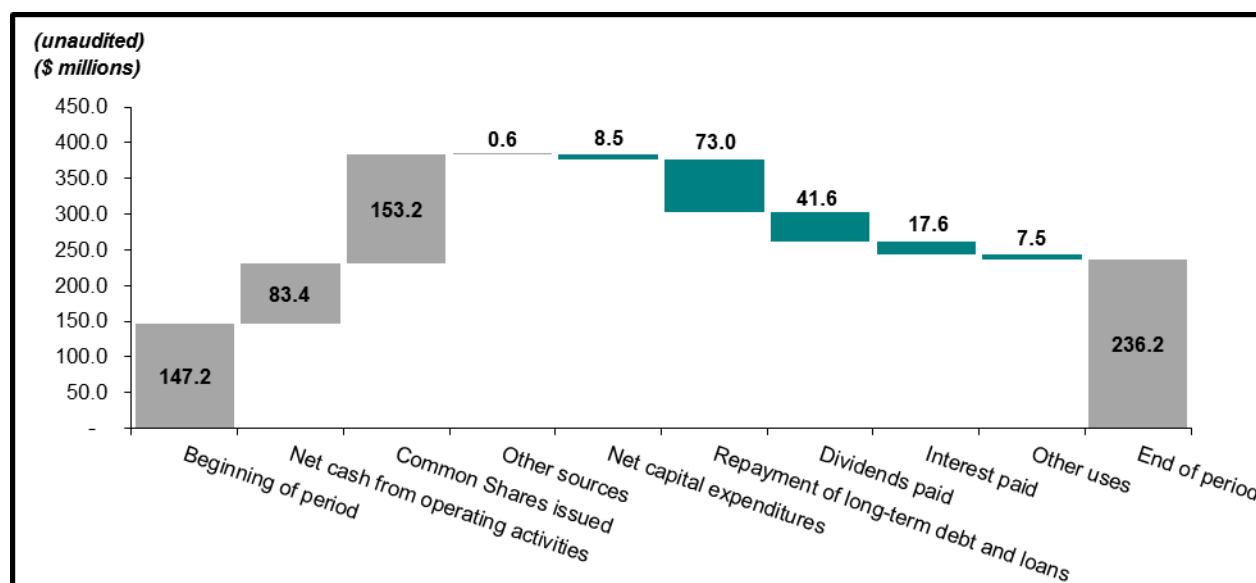
- A \$166.0 million decrease in acquisition costs due to the 2015 acquisition of Gardewine.
- A \$37.0 million decrease in net capital expenditures¹. In 2015 net capital expenditures¹ were \$45.5 million, most of which related to the purchase of real property within Saskatchewan that is currently being used in the operations of Jay's Transportation Group Ltd.
- A \$5.6 million decrease in the purchase of investments due to acquiring minority equity interests in 2015 in both Cordova and Envolve.
- A \$2.6 million decrease in other assets, which was mainly due to issuing a \$2.5 million debenture in 2015 to Envolve in conjunction with the equity investment.

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

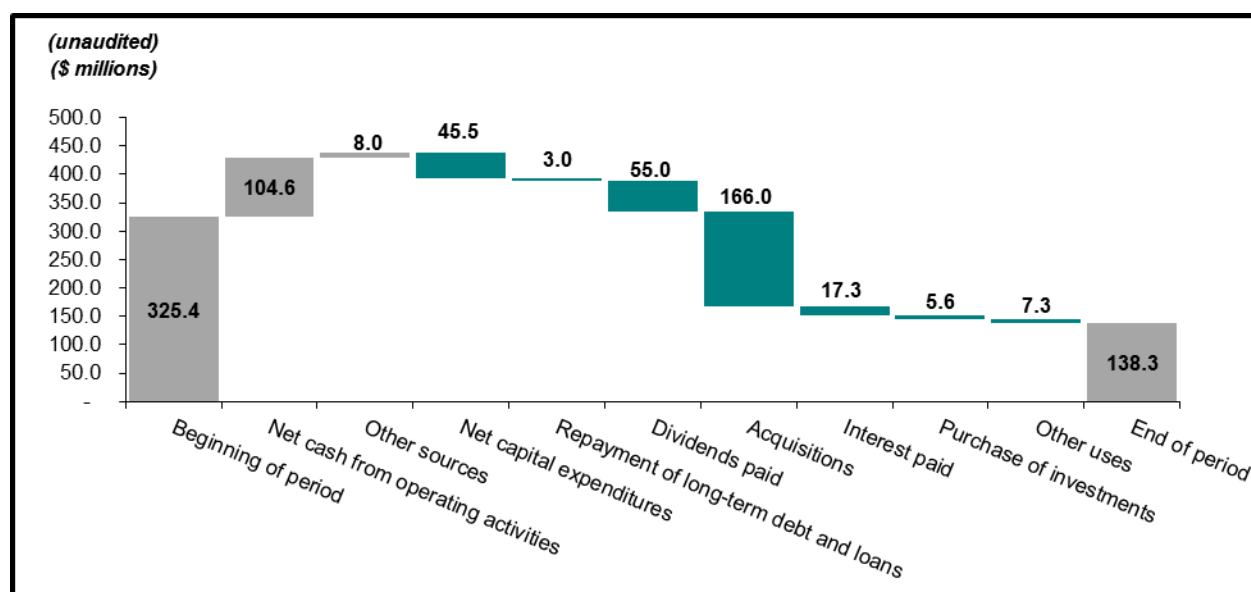


The following charts present the sources and uses of cash for comparative purposes.

Six month period ended June 30, 2016



Six month period ended June 30, 2015



In addition to the \$83.4 million (2015 – \$104.6 million) of net cash from operating activities, Mullen Group also received \$153.2 million of cash upon closing the Offering and the Private Placement and \$0.6 million (2015 – \$8.0 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 nil (2015 – \$166.0 million), repay long-term debt and loans of \$73.0 million (2015 – \$3.0 million), pay dividends totalling \$41.6 million (2015 – \$55.0 million), incur net capital expenditures¹ of \$8.5 million (2015 – \$45.5 million), pay interest obligations of \$17.6 million (2015 – \$17.3 million) and purchase investments of nil (2015 – \$5.6 million). Mullen Group also had \$7.5 million of other uses, which mainly consisted of the effect of exchange rate fluctuations on U.S. dollar cash held.

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



Working Capital

At June 30, 2016, Mullen Group had \$350.5 million (December 31, 2015 – \$187.1 million) of working capital, which included \$236.2 million (December 31, 2015 – \$147.2 million) of cash and cash equivalents. Mullen Group also had access to its \$75.0 million credit facility with the Royal Bank of Canada (the "**Bank Credit Facility**"). At June 30, 2016, there were no amounts drawn on the Bank Credit Facility. This working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 are available to finance Mullen Group's ongoing working capital requirements, dividends declared by the Board, its 2016 capital expenditure budget, as well as various special projects and acquisition opportunities.

Capital Expenditures

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

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Debt

As at June 30, 2016, Mullen Group had net debt¹ outstanding of \$327.5 million, (December 31, 2015 – \$522.0 million), which consisted of total debt of \$679.3 million (December 31, 2015 – \$780.9 million) less working capital (excluding the current portion of long-term debt) of \$351.8 million (December 31, 2015 – \$258.9 million). The repayment of the Series C (\$70.0 million) Notes and the strengthening of the Canadian dollar relative to the U.S. dollar is the primary reason for the decrease in the carrying value of the long-term debt. Total debt is comprised of the Private Placement Debt, Debentures, Various Financing Loans and the Bank Credit Facility. The following table summarizes Mullen Group's total and net debt¹ as at June 30, 2016, and December 31, 2015:

		June 30, 2016		December 31, 2015		Change in CDN. Dollar Equivalent
(\$ millions)	Interest Rate	U.S. Dollar	CDN. Dollar Equivalent	U.S. Dollar	CDN. Dollar Equivalent	
Private Placement Debt:						
Series C - repaid on March 30, 2016	5.60%	\$ —	\$ —	\$ —	\$ 70.0	\$ (70.0)
Series D - matures June 30, 2018	5.76%	—	70.0	—	70.0	—
Series E - matures September 27, 2017	5.90%	85.0	109.8	85.0	117.6	(7.8)
Series F - matures September 27, 2017	5.47%	—	20.0	—	20.0	—
Series G - matures October 22, 2024	3.84%	117.0	151.1	117.0	161.9	(10.8)
Series H - matures October 22, 2026	3.94%	112.0	144.7	112.0	155.0	(10.3)
Series I - matures October 22, 2024	3.88%	—	30.0	—	30.0	—
Series J - matures October 22, 2026	4.00%	—	3.0	—	3.0	—
Series K - matures October 22, 2024	3.95%	—	58.0	—	58.0	—
Series L - matures October 22, 2026	4.07%	—	80.0	—	80.0	—
Bank Credit Facility	variable ⁽¹⁾	—	—	—	—	—
Various Financing Loans	3.63% - 7.68%	—	3.3	—	5.2	(1.9)
Less:						
Unamortized debt issuance costs		—	(2.8)	—	(2.0)	(0.8)
Long-term debt (including the current portion)		314.0	667.1	314.0	768.7	(101.6)
Debentures - debt component	10.0%	—	12.2	—	12.2	—
Total debt		\$ 314.0	\$ 679.3	\$ 314.0	\$ 780.9	\$ (101.6)
Less:						
Working capital (excluding the current portion of long-term debt)			351.8		258.9	92.9
Net debt⁽²⁾		\$	327.5	\$	522.0	\$ (194.5)

⁽¹⁾ Bank prime rate plus 0.5 percent or bankers' acceptance rates plus 1.5 percent.

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

Amending Agreement and Private Placement Debt Financial Covenants

Mullen Group has certain financial covenants under its Private Placement Debt. On March 31, 2016, Mullen Group entered into an Amending Agreement with its Private Placement Debt noteholders. The Amending Agreement replaces the financial covenant term total debt with total net debt¹ during the Covenant Relief Period for financial covenant calculation purposes. During the Covenant Relief Period, total net debt¹ 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 debt¹ will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. All other terms and thresholds of the financial covenants remained the same. There are two main financial covenants, summarized as follows:

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



Total Net Debt¹ to Operating Cash Flow. Mullen Group's total net debt¹ cannot exceed 3.5 times operating cash flow calculated using the trailing twelve months' financial results normalized for acquisitions. The term total net debt¹ means all debt including the Private Placement Debt, the Bank Credit Facility, Various Financing Loans and letters of credit, excluding the Debentures less the value of any cash and cash equivalents in excess of \$50.0 million and less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps as disclosed within Derivatives on the consolidated statement of financial position. The term "**operating cash flow**" means, for any quarterly period, the trailing twelve months' consolidated net income adjusted for all amounts deducted in the computation thereof on account of (i) taxes imposed on or measured by income or excess profits; (ii) depreciation and amortization taken during such period; (iii) total interest charges, including interest on the Debentures; and (iv) non-cash charges. Mullen Group's total net debt¹ to operating cash flow financial covenant under its Private Placement Debt enables the Corporation to include the trailing twelve months operating cash flows from acquisitions. Although permitted, Mullen Group has not included any operating cash flows generated by Courtesy prior to its acquisition in this financial covenant calculation.

Total net debt¹ to operating cash flow in 2016 and total debt to operating cash flow for the period ended December 31, 2015, was calculated as follows:

	June 30 2016	March 31 2016	December 31 2015
Total net debt⁽¹⁾ to operating cash flow			
Total net debt ⁽¹⁾	\$ 452.4	\$ 625.3	\$ 770.3
Operating cash flow	\$ 205.3	\$ 205.4	\$ 231.3
Total net debt ⁽¹⁾ to operating cash flow	2.20:1	3.04:1	3.33:1

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

Total Earnings Available for Fixed Charges to Total Fixed Charges. Mullen Group cannot have a fixed charge coverage ratio less than 1.75:1 calculated using the trailing twelve months financial results.

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

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

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

Mullen Group's total net debt¹ to operating cash flow covenant was 2.20:1 at June 30, 2016. Assuming the \$452.4 million of total net debt¹ remains constant, Mullen Group would need to generate approximately \$129.2 million of operating cash flow on a trailing twelve month basis to remain in compliance with this financial covenant. Mullen Group has \$236.2 million of cash as at June 30, 2016, a portion of which could be used to prepay some of its existing debt. All or a portion of the \$236.2 million of cash could also be used to acquire businesses. When a business is acquired, the trailing twelve months of operating cash flows generated by the newly acquired business may be added to Mullen Group's trailing twelve month operating cash flows from the date of acquisition for financial covenant calculation purposes.

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



Mullen Group's debt-to-equity ratio was 0.71:1 at June 30, 2016, as compared to 0.97:1 at December 31, 2015. This decrease in the debt-to-equity ratio was due to the net effect of a \$101.6 million decrease in total debt (including the current portion) and a \$155.1 million increase in equity as compared to December 31, 2015. The \$101.6 million decrease in total debt was mainly due to the repayment of Series C (\$70.0 million) Notes and from the effect of the \$29.0 million unrealized foreign exchange gain on the Corporation's U.S. dollar denominated debt. The \$155.1 million increase in equity mainly resulted from the \$154.9 million increase in share capital due to closing the Offering and the Private Placement and from \$35.1 million of net income recognized in 2016. These items were somewhat offset by the \$35.6 million of dividends declared to shareholders in 2016.

Contractual Obligations

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

Share Capital

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

Common Shares

Common Shares Authorized: Unlimited Number	# of Common Shares	Amount (\$ millions)
Balance at December 31, 2015	91,661,066	\$ 778.4
Common Shares issued on the Offering and Private Placement	11,993,250	154.9
Common Shares issued on conversion of Debentures	—	—
Common Shares issued on exercise of stock options	—	—
Balance at June 30, 2016	103,654,316	\$ 933.3

At June 30, 2016, Mullen Group had 103,654,316 Common Shares outstanding representing \$933.3 million in share capital, an increase of \$154.9 million as compared to \$778.4 million at December 31, 2015. This increase was due to the Corporation closing the Offering and the Private Placement whereby 11,993,250 Common Shares were issued for net proceeds of \$153.2 million, which was adjusted by \$1.7 million of deferred tax related to the share issuance costs.

Convertible Unsecured Subordinated Debentures

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



The details of the Debentures are as follows:

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

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

Stock Option Plan

	Options	Weighted average exercise price
Outstanding – December 31, 2015	2,354,744	\$ 20.94
Granted	—	—
Exercised	—	—
Forfeited	(182,244)	(20.45)
Outstanding – June 30, 2016	2,172,500	\$ 20.98
Exercisable – June 30, 2016	967,500	\$ 19.99

The total number of options available to be issued under the stock option plan cannot exceed 4,000,000. In the first six months of 2016, there were no stock options granted or exercised and there were 182,244 stock options forfeited. As at June 30, 2016, Mullen Group had 2,172,500 stock options outstanding under the stock option plan.

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SUMMARY OF QUARTERLY RESULTS

Seasonality of Operations

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

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

Financial Results

	TTM ⁽¹⁾	2016		2015				2014	
(unaudited) (\$ millions, except per share amounts)		Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	1,111.1	247.0	271.7	287.7	304.7	284.8	337.2	345.2	357.3
Operating income before depreciation and amortization ⁽²⁾	203.1	46.0	38.9	52.7	65.5	46.4	64.8	64.9	76.6
Operating income before depreciation and amortization – adjusted ⁽²⁾	200.8	46.6	45.5	49.3	59.4	47.5	57.4	63.1	76.3
Net income	44.8	13.7	21.4	2.4	7.3	0.9	2.8	22.2	10.5
Earnings per share									
Basic	0.48	0.14	0.23	0.03	0.08	0.01	0.03	0.25	0.11
Diluted	0.48	0.14	0.23	0.03	0.08	0.01	0.03	0.24	0.11
Other Information									
Net unrealized foreign exchange (gain) loss	(1.4)	(5.7)	(16.5)	10.6	10.2	1.2	17.7	4.6	10.1
Decrease (increase) in fair value of investments	15.2	4.2	0.1	3.5	7.4	4.2	4.3	18.0	2.8

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

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

Consolidated revenue in the second quarter of 2016 decreased by \$37.8 million, or 13.3 percent, to \$247.0 million as compared to \$284.8 million in 2015. The decrease of \$37.8 million was attributable to a reduction in revenue experienced by both the Oilfield Services segment and the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by \$31.7 million and was due to extremely low drilling activity levels and reduced capital investments in western Canada. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for services related to Alberta's oil sands including heavy haul freight and dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a \$4.8 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and lower transportation volumes predominately in Alberta. These decreases were somewhat offset by increased demand for transload services and from the incremental revenue generated from the acquisition of Courtesy. Net income in the second quarter of 2016 was \$13.7 million, an increase of \$12.8 million from the \$0.9 million generated in 2015. The \$12.8 million increase in net income was mainly attributable to a \$6.9 million positive variance in net



unrealized foreign exchange, a \$4.7 million decrease in income tax expense and a \$0.9 million decrease in finance costs. These increases were somewhat offset by a \$1.0 million increase in loss on sale of property, plant and equipment and a \$0.4 million decrease in OIBDA¹. As a result, basic earnings per share in the second quarter of 2016 was \$0.14, an increase of \$0.13, from the \$0.01 generated in 2015.

Consolidated revenue in the first quarter of 2016 decreased by \$65.5 million, or 19.4 percent, to \$271.7 million as compared to \$337.2 million in 2015. The decrease of \$65.5 million was attributable to a reduction in revenue experienced by both the Oilfield Services segment and the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by \$58.4 million and was mainly due to extremely low drilling activity in the WCSB. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells and from those Business Units most directly tied to oil and natural gas drilling activity. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a \$6.2 million decrease in revenue, which was mainly due to lower fuel surcharge revenue and a reduction in demand for heavy haul freight services in western Canada. These decreases were somewhat offset by increased demand for transload services and from the incremental revenue generated from the acquisition of Courtesy. Net income in the first quarter of 2016 was \$21.4 million, an increase of \$18.6 million from the \$2.8 million generated in 2015. The \$18.6 million increase in net income was mainly attributable to a \$34.2 million positive variance in net unrealized foreign exchange, a \$4.2 million positive variance in the fair value of investments and a \$6.5 million decrease in income tax expense. These increases were somewhat offset by a \$25.9 million decrease in OIBDA¹ and a \$0.5 million increase in finance costs. As a result, basic earnings per share in the first quarter of 2016 was \$0.23, an increase of \$0.20, from the \$0.03 generated in 2015.

Consolidated revenue in the fourth quarter of 2015 decreased by \$57.5 million, or 16.7 percent, to \$287.7 million as compared to \$345.2 million in 2014. The decrease of \$57.5 million was attributable to a reduction in revenue experienced in the Oilfield Services segment being somewhat offset by an increase in revenue experienced by the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by \$89.9 million and was due to the continuation of low commodity prices, which resulted in lower drilling activity levels and reduced capital investments in western Canada. This led to revenue declines in almost all of our Business Units within this segment. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects. The Trucking/Logistics segment experienced a \$31.4 million increase in revenue due to the incremental revenue generated from the net effect of the acquisitions of Gardewine and Courtesy and the disposition of Mill Creek Motor Freight L.P. ("**Mill Creek**") (collectively, the "**T/L Acquisitions**"). Net income in the fourth quarter of 2015 was \$2.4 million, a decrease of \$19.8 million as compared to the \$22.2 million generated in 2014. The \$19.8 million decrease in net income was mainly attributable to a \$12.2 million decrease in OIBDA¹, a \$10.8 million increase in loss on sale of property, plant and equipment, a \$10.8 million gain on sale of Mill Creek recorded in 2014 and a \$6.0 million negative variance in net unrealized foreign exchange. These decreases were somewhat offset by a \$14.5 million positive variance in the fair value of investments and a \$4.2 million reduction in income tax expense. As a result, basic earnings per share in the fourth quarter of 2015 was \$0.03, a decrease of \$0.22, from the \$0.25 generated in 2014.

Consolidated revenue in the third quarter of 2015 decreased by \$52.6 million, or 14.7 percent, to \$304.7 million as compared to \$357.3 million in 2014. The decrease of \$52.6 million was attributable to a reduction in revenue experienced in the Oilfield Services segment being somewhat offset by an increase in revenue experienced by the Trucking/Logistics segment. Revenue in the Oilfield Services segment decreased by \$88.8 million and was due to the continuation of low commodity prices, which resulted in lower drilling activity levels and reduced capital investments in western Canada. This led to revenue declines in almost all of our Business Units within this segment. Revenue declines were most notable in those Business Units involved in the transportation of fluids and servicing of wells, from those Business Units most directly tied to oil and natural gas drilling activity and from lower demand for dewatering services. These decreases were somewhat offset by greater demand for services related to large diameter pipeline construction projects and from the incremental revenue generated from the acquisition of Recon Utility Search L.P. The Trucking/Logistics segment experienced a \$36.4 million increase in revenue due to the incremental revenue generated from the T/L Acquisitions (excluding Courtesy) and the acquisition of Bernard Transport Ltd. Net income in the third quarter of 2015 was \$7.3 million, a decrease of \$3.2 million from the \$10.5 million generated in 2014. The \$3.2 million decrease in net income was mainly attributable to an \$11.1 million decrease in OIBDA¹ and a \$4.6 million negative variance in the fair value of investments. These decreases were somewhat offset by a \$19.0 million one-time expense recorded in 2014 related to the prepayment of the Series A and Series B Notes. As a result, basic earnings per share in the third quarter of 2015 was \$0.08, a decrease of \$0.03, from the \$0.11 generated in 2014.

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



TRANSACTIONS WITH RELATED PARTIES

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

CRITICAL ACCOUNTING ESTIMATES

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

SIGNIFICANT ACCOUNTING POLICIES

New Standards and Interpretations Not Yet Adopted

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

DISCLOSURE AND INTERNAL CONTROLS

Disclosure Controls and Internal Controls over Financial Reporting

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

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



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

FORWARD-LOOKING INFORMATION STATEMENTS

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

- Mullen Group's comment that the markets we operate in today are very challenging, to the say the least, as referred to in the Executive Summary beginning on page 4;
- Mullen Group's comment that we are now extremely well positioned to manage through this challenging downturn and can utilize our balance sheet to acquire complementary businesses that meet our strategic objectives, as referred to in the Executive Summary beginning on page 4;
- Mullen Group considers the reduction in the dividend to be temporary, as referred to in the Outlook beginning on page 6;
- Mullen Group's outlook for the balance of 2016 and the foreseeable future is quite reserved based upon our view of the two sectors of the economy that Mullen Group serves – trucking logistics services in Canada and the oil and natural gas industry in western Canada, as referred to in the Outlook section beginning on page 6;
- Mullen Group's expectation that we will be able to enhance our competitive position in several key markets over the course of the next few quarters as industry capacity tightens, as referred to in the Outlook section beginning on page 6;
- Mullen Group's intention to pay monthly dividends of \$0.03 per Common Share commencing with the declaration of the May 2016 dividend, as referred to in the Dividends section beginning on page 8;
- Mullen Group's expectation to allocate the majority of its \$25.0 million capital expenditure budget for 2016 towards purchasing trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment, as referred to in the Capital Expenditures section beginning on page 10; and
- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 to finance its ongoing working capital requirements, dividends declared by the Board, 2016 capital expenditure budget, as well as various special projects and acquisition opportunities, as referred to in the Capital Resources and Liquidity section beginning on page 39.

Readers are cautioned that expectations, estimates, projections and assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. With respect to forward-looking statements contained within this MD&A, Mullen Group has made the assumptions listed below:

- Mullen Group's comment that the markets we operate in today are very challenging, to the say the least, is based on the assumption that the oil and gas industry continues to struggle, which has been exacerbated by one of the costliest natural disasters in Canadian history – the fires in Fort McMurray, Alberta and the Canadian economy is showing the strains associated with the lack of private investment in capital projects.
- Mullen Group's comment that we are now extremely well positioned to manage through this challenging downturn and can utilize our balance sheet to acquire complementary businesses that meet our strategic objectives, is based on the assumption that Mullen Group will be able to utilize its \$350.5 million of working



capital, which includes \$236.2 million of cash to manage the challenging downturn and acquire complementary businesses.

- Mullen Group considers the reduction in the dividend to be temporary, is based on the assumption that the dividend payable to shareholders must align proportionally to the cash generated from operations.
- Mullen Group's outlook for the balance of 2016 and the foreseeable future is quite reserved based upon our view of the two sectors of the economy that Mullen Group serves – trucking logistics services in Canada and the oil and natural gas industry in western Canada, is based on the assumption that capital investment, on long lead projects such as oil sands development, will slow considerably as existing projects near completion. Future projects have been put on hold due to uncertainty over government policies, regulatory approvals and commodity prices. Drilling activity in western Canada appears poised to increase marginally over the next few quarters due to the recovery in both crude oil and natural gas pricing and that we do not view current commodity pricing to be at levels that justify any significant rebound in drilling activity in the near term. And lastly, we anticipate overall economic activity in Canada to remain sluggish contributing to lower demand for trucking and logistics services. In short, we expect demand to remain soft accompanied by pricing pressures across most market segments.
- Mullen Group's expectation that we will be able to enhance our competitive position in several key markets over the course of the next few quarters as industry capacity tightens, is based on the assumption that many competitors do not have the scale or diversity as Mullen Group and are very vulnerable in the current market and that we continue to evaluate a number of acquisition opportunities.
- Mullen Group's intention to pay monthly dividends of \$0.03 per Common Share commencing with the declaration of the May 2016 dividend, is based on the assumption that Mullen Group will generate sufficient free cash flow from operating activities to support the monthly dividend.
- Mullen Group's expectation to allocate the majority of its \$25.0 million capital expenditure budget for 2016 towards purchasing trucks, trailers and specialized equipment to support operations for the Trucking/Logistics segment, is based on the assumption that its Business Units will require capital to support their ongoing operations and growth opportunities.
- Mullen Group's intention to use working capital, the Bank Credit Facility and the anticipated cash flow from operating activities in 2016 to finance its ongoing working capital requirements, dividends declared by the Board, 2016 capital expenditure budget, as well as various special projects and acquisition opportunities. This assumption is based on Mullen Group's belief that its access to cash will exceed its expected requirements.

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

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

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



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

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

Operating Income Before Depreciation and Amortization

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

Reconciliation of Net Income to Operating Income Before Depreciation and Amortization

(unaudited) (\$ millions)	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Net income	\$ 13.7	\$ 0.9	\$ 35.1	\$ 3.7
Add (deduct):				
Income tax expense	4.1	8.8	6.5	17.7
Net unrealized foreign exchange (gain) loss	(5.7)	1.2	(22.2)	18.9
Other (income) expense	4.3	3.5	3.9	7.5
Finance costs	7.6	8.5	17.1	17.5
Depreciation of property, plant and equipment	17.8	18.7	35.6	36.4
Amortization of intangible assets	4.2	4.8	8.9	9.5
Operating income before depreciation and amortization	\$ 46.0	\$ 46.4	\$ 84.9	\$ 111.2

Operating Income Before Depreciation and Amortization – Adjusted

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



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

(unaudited) (\$ millions)	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Net income	\$ 13.7	\$ 0.9	\$ 35.1	\$ 3.7
Add (deduct):				
Income tax expense	4.1	8.8	6.5	17.7
Net unrealized foreign exchange (gain) loss	(5.7)	1.2	(22.2)	18.9
Other (income) expense	4.3	3.5	3.9	7.5
Finance costs	7.6	8.5	17.1	17.5
Depreciation of property, plant and equipment	17.8	18.7	35.6	36.4
Amortization of intangible assets	4.2	4.8	8.9	9.5
Selling and administrative expenses ⁽¹⁾	0.6	1.1	7.2	(6.3)
Operating income before depreciation and amortization – adjusted	\$ 46.6	\$ 47.5	\$ 92.1	\$ 104.9

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

Net Income – Adjusted and Earnings per Share – Adjusted

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

Net Capital Expenditures

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

(unaudited) (\$ millions)	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Purchase of property, plant and equipment	\$ 7.1	\$ 12.9	\$ 11.5	\$ 49.3
Proceeds on sale of property, plant and equipment	(2.4)	(2.2)	(3.0)	(3.8)
Net capital expenditures	\$ 4.7	\$ 10.7	\$ 8.5	\$ 45.5



Net Debt

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

<i>(unaudited)</i> (\$ millions)		June 30, 2016		December 31, 2015
Long-term debt	\$	665.8	\$	696.9
Convertible debentures - debt component		12.2		12.2
Total debt		678.0		709.1
Less working capital:				
Current assets		439.7		353.1
Current liabilities		(89.2)		(166.0)
Total working capital		350.5		187.1
Net debt	\$	327.5	\$	522.0

Total Net Debt

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

<i>(unaudited)</i> (\$ millions)		June 30, 2016
Private Placement Debt (including current portion)	\$	663.8
Various Financing Loans		3.3
Letters of credit		4.6
Total debt		671.7
Less: excess cash		
Cash and cash equivalents	\$	236.2
Covenant threshold		(50.0)
Excess cash		(186.2)
Less: unrealized gain on Cross-Currency Swaps		(33.1)
Add: unrealized loss on Cross-Currency Swaps		—
		(219.3)
Total net debt	\$	452.4



Cash Flow per Share

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

<i>(unaudited)</i> (\$ millions, except share and per share amounts)	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Net cash from operating activities	\$ 48.9	\$ 62.7	\$ 83.4	\$ 104.6
Weighted average number of Common Shares outstanding	97,591,794	91,655,112	94,626,430	91,644,560
Cash flow per share	\$ 0.50	\$ 0.68	\$ 0.88	\$ 1.14

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JUNE 30, 2016

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(unaudited) (thousands)	Note	June 30 2016	December 31 2015
Assets			
Current assets:			
Cash and cash equivalents		\$ 236,204	\$ 147,243
Trade and other receivables		152,146	159,963
Inventory		29,811	30,278
Prepaid expenses		13,017	9,620
Current tax receivable		8,558	6,019
		439,736	353,123
Non-current assets:			
Property, plant and equipment		964,363	992,206
Goodwill		344,186	344,186
Intangible assets		21,220	30,107
Investments		39,352	42,495
Deferred tax assets		11,027	9,807
Derivative financial instruments	5	33,132	39,949
Other assets		5,171	5,162
		1,418,451	1,463,912
Total Assets		\$ 1,858,187	\$ 1,817,035
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 84,622	\$ 83,156
Dividends payable	6	3,110	9,166
Current tax payable		188	1,878
Current portion of long-term debt	8	1,284	71,856
		89,204	166,056
Non-current liabilities:			
Long-term debt	8	665,778	696,859
Convertible debentures – debt component		12,238	12,186
Deferred tax liabilities		129,269	135,290
		807,285	844,335
Equity:			
Share capital	9	933,339	778,448
Convertible debentures – equity component		550	550
Contributed surplus		12,167	11,597
Retained earnings		15,642	16,049
		961,698	806,644
Total Liabilities and Equity		\$ 1,858,187	\$ 1,817,035

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

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

"Signed: Murray K. Mullen"

Murray K. Mullen, Director

"Signed: Philip J. Scherman"

Philip J. Scherman, Director



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(unaudited) (thousands, except per share amounts)	Note	Three month periods ended June 30		Six month periods ended June 30	
		2016	2015	2016	2015
Revenue		\$ 246,921	\$ 284,772	\$ 518,654	\$ 622,018
Direct operating expenses		165,165	196,917	352,972	436,999
Selling and administrative expenses		35,803	41,535	80,819	73,840
Operating income before depreciation and amortization		45,953	46,320	84,863	111,179
Depreciation of property, plant and equipment		17,731	18,689	35,550	36,422
Amortization of intangible assets		4,189	4,825	8,887	9,525
Finance costs		7,578	8,498	17,060	17,532
Net unrealized foreign exchange (gain) loss	5	(5,728)	1,224	(22,165)	18,892
Other (income) expense	12	4,323	3,389	3,928	7,450
Income before income taxes		17,860	9,695	41,603	21,358
Income tax expense	7	4,090	8,810	6,459	17,661
Net income and total comprehensive income		\$ 13,770	\$ 885	\$ 35,144	\$ 3,697
Earnings per share:	10				
Basic		\$ 0.14	\$ 0.01	\$ 0.37	\$ 0.04
Diluted		\$ 0.14	\$ 0.01	\$ 0.37	\$ 0.04
Weighted average number of Common Shares outstanding:	10				
Basic		97,592	91,655	94,626	91,645
Diluted		97,592	91,736	94,626	91,720

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



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(unaudited)</i> <i>(thousands)</i>	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	—	—	—	35,144	35,144
Common Shares issued on conversion of convertible debentures	—	—	—	—	—
Stock-based compensation expense	—	—	570	—	570
Common Shares issued on bought deal and private placement	154,891	—	—	—	154,891
Common Shares issued on exercise of stock options	—	—	—	—	—
Dividends declared to common shareholders	—	—	—	(35,551)	(35,551)
Balance at June 30, 2016	\$ 933,339	\$ 550	\$ 12,167	\$ 15,642	\$ 961,698

<i>(unaudited)</i> <i>(thousands)</i>	Share capital	Convertible debentures – equity component	Contributed surplus	Retained earnings	Total
Balance at January 1, 2015	\$ 777,262	\$ 550	\$ 10,463	\$ 112,668	\$ 900,943
Total comprehensive income for the period	—	—	—	3,697	3,697
Common Shares issued on conversion of convertible debentures	—	—	—	—	—
Stock-based compensation expense	—	—	741	—	741
Common Shares issued on exercise of stock options	1,081	—	(297)	—	784
Dividends declared to common shareholders	—	—	—	(54,989)	(54,989)
Balance at June 30, 2015	\$ 778,343	\$ 550	\$ 10,907	\$ 61,376	\$ 851,176

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



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(unaudited) (thousands)	Note	Six month periods ended June 30	
		2016	2015
Cash provided by (used in):			
Cash flows from operating activities:			
Net income		\$ 35,144	\$ 3,697
Adjustments for:			
Depreciation of property, plant and equipment		35,550	36,422
Amortization of intangible assets		8,887	9,525
Finance costs		17,060	17,532
Stock-based compensation expense		570	741
Unrealized foreign exchange loss (gain) on cross-currency swaps	5	6,817	(9,023)
Foreign exchange		(21,892)	21,311
Change in fair value of investments		4,288	8,481
Loss on sale of property, plant and equipment		785	19
Earnings from equity investments		(1,145)	(1,050)
Income tax expense		6,459	17,661
		92,523	105,316
Changes in non-cash working capital items from operating activities:			
Trade and other receivables		7,817	64,879
Inventory		467	(3,353)
Prepaid expenses		(3,397)	(7,498)
Accounts payable and accrued liabilities		2,119	(30,894)
Cash generated from operating activities		99,529	128,450
Income tax paid		(16,221)	(23,755)
Net cash from operating activities		83,308	104,695
Cash flows from financing activities:			
Cash dividends paid to common shareholders		(41,607)	(54,984)
Interest paid		(17,554)	(17,317)
Repayment of long-term debt and loans		(73,041)	(2,991)
Proceeds from bank credit facility		35,000	—
Repayment of bank credit facility		(35,000)	—
Net proceeds from Common Share issuances		153,183	784
Changes in non-cash working capital items from financing activities		(273)	263
Net cash from (used in) financing activities		20,708	(74,245)
Cash flows from investing activities:			
Acquisitions net of cash acquired		—	(165,979)
Purchase of property, plant and equipment		(11,519)	(49,276)
Proceeds on sale of property, plant and equipment		3,027	3,824
Purchases of investments		—	(5,625)
Interest received		643	273
Other assets		(9)	(2,618)
Changes in non-cash working capital items from investing activities		(107)	(4,699)
Net cash used in investing activities		(7,965)	(224,100)
Change in cash and cash equivalents		96,051	(193,650)
Cash and cash equivalents at January 1		147,243	325,365
Effect of exchange rate fluctuations on cash held		(7,090)	6,604
Cash and cash equivalents at June 30		\$ 236,204	\$ 138,319

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



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Three and six month periods ended June 30, 2016 and 2015 (unaudited)
(Tabular amounts in thousands, except share and per share amounts)

1. Reporting Entity

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

2. Basis of Presentation

(a) Statement of Compliance

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

(b) Basis of Measurement

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

(c) Functional and Presentation Currency

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

3. Significant Accounting Policies

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

4. Determination of Fair Values

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

June 30, 2016 Financial Instrument	Fair Value Hierarchy	Carrying Amount	Fair Value
Investments (excluding investments accounted for by using the equity method)	Level 1	\$ 7,644	\$ 7,644
Derivative Financial Instruments	Level 2	\$ 33,132	\$ 33,132
Private Placement Debt	Level 2	\$ 663,789	\$ 606,494
Debentures – debt component	Level 2	\$ 12,238	\$ 13,170

5. Derivative Financial Instruments

On July 25, 2014, Mullen Group entered into two cross-currency swap contracts with a Canadian bank to swap \$117.0 million U.S. dollars and \$112.0 million U.S. dollars into Canadian dollars (collectively, the "**Cross-Currency Swaps**") at foreign exchange rates of \$1.1047 and \$1.1148 that mature on October 22, 2024 and October 22, 2026, respectively. These Cross-Currency Swaps hedge the principal amount of the Series G and Series H Notes. For the six month period ended June 30, 2016, Mullen Group recorded a net unrealized foreign exchange (gain) loss of \$(22.2) million (2015 – \$18.9 million). This was due to the impact of the change over the period in the value of the Canadian dollar relative to the U.S. dollar on the Corporation's U.S. dollar debt and from the change in the fair value of its Cross-Currency Swaps as summarized in the table below:

Net Unrealized Foreign Exchange (Gain) Loss	Six month periods ended June 30			
	CDN. \$ Equivalent			
	2016		2015	
Unrealized foreign exchange (gain) loss on U.S. debt	\$	(28,982)	\$	27,915
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		6,817		(9,023)
Net unrealized foreign exchange (gain) loss	\$	(22,165)	\$	18,892



For the six month period ending June 30, 2016, Mullen Group recorded an unrealized foreign exchange (gain) loss on U.S. debt of \$(29.0) million (2015 – \$27.9 million) as summarized in the table below:

Unrealized Foreign Exchange (Gain) Loss on U.S. Debt	Six month periods ended June 30					
	2016			2015		
	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent	U.S. \$ Debt	Exchange Rate	CDN. \$ Equivalent
(\$ thousands, except exchange rate amounts)						
Ending – June 30	314,000	1.2917	405,594	314,000	1.2490	392,186
Beginning – January 1	314,000	1.3840	434,576	314,000	1.1601	364,271
Unrealized foreign exchange (gain) loss on U.S. debt			(28,982)			27,915

For the six month period ended June 30, 2016, Mullen Group recorded an unrealized foreign exchange loss (gain) on its Cross-Currency Swaps of \$6.8 million (2015 – \$(9.0) million). This was due to the change over the period in the fair value of these Cross-Currency Swaps as summarized in the table below:

Unrealized Foreign Exchange Loss (Gain) on Cross-Currency Swaps	Six month periods ended June 30			
	2016		2015	
	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps	U.S. \$ Swaps	CDN. \$ Change in Fair Value of Swaps
Cross-Currency Swap maturing October 22, 2024	117,000	3,998	117,000	(5,005)
Cross-Currency Swap maturing October 22, 2026	112,000	2,819	112,000	(4,018)
Unrealized foreign exchange loss (gain) on Cross-Currency Swaps		6,817		(9,023)

6. Dividends Payable

For the four month period ended April 30, 2016, Mullen Group declared monthly dividends of \$0.08 per Common Share totalling \$0.32 per Common Share (2015 – \$0.40 per Common Share). On April 20, 2016, the Board of Directors (the "Board") of Mullen Group reduced the amount of the monthly dividend to \$0.03 per Common Share commencing with the declaration of the May 2016 dividend. For the six month period ending June 30, 2016, Mullen Group declared monthly dividends totalling \$0.38 per Common Share (2015 – \$0.60 per Common Share). At June 30, 2016, Mullen Group had 103,654,316 Common Shares outstanding and a dividend payable of \$3.1 million (December 31, 2015 – \$9.2 million), which was paid on July 15, 2016. Mullen Group also declared a dividend of \$0.03 per Common Share on July 18, 2016, to the holders of record at the close of business on July 31, 2016.

7. Income Taxes

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

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

	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Income before income taxes	\$ 17,860	\$ 9,695	\$ 41,603	\$ 21,358
Combined statutory tax rate	27%	26%	27%	26%
Expected income tax	4,822	2,521	11,233	5,553
Add (deduct):				
Non-deductible (taxable) portion of net unrealized foreign exchange (gain) loss	(773)	247	(2,992)	2,456
Non-deductible portion of the change in fair value of investments	562	530	579	1,103
Stock-based compensation expense	66	123	154	193
Increase in income tax due to changes in income tax rates	—	5,477	—	5,477
Other	(587)	(88)	(2,515)	2,879
Income tax expense	\$ 4,090	\$ 8,810	\$ 6,459	\$ 17,661



8. Long-Term Debt and Credit Facility

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

Mullen Group has \$4.6 million of letters of credit outstanding, which were issued to guarantee certain performance and payment obligations. These letters of credit reduce the amount available under the Bank Credit Facility.

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

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

⁽¹⁾ Interest is payable semi-annually.

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

Mullen Group's unamortized debt issuance costs of \$2.8 million related to its Private Placement Debt have been netted against its carrying value at June 30, 2016 (December 31, 2015 – \$2.0 million). Mullen Group has financial covenants that must be met under its Private Placement Debt agreements, which included a total debt to operating cash flow ratio and a total earnings available for fixed charges to total fixed charges ratio, as defined in such agreements. On March 31, 2016, Mullen Group entered into an agreement with the Private Placement Debt noteholders to amend certain financial covenant terms (the "**Amending Agreement**") up to and including March 31, 2018 (the "**Covenant Relief Period**"). The Amending Agreement replaces the financial covenant term total debt with total net debt for financial covenant calculation purposes. During the Covenant Relief Period, total net debt is defined as total debt of the Corporation less the value of any cash and cash equivalents in excess of \$50.0 million and less any unrealized gain on Cross-Currency Swaps plus any unrealized loss on Cross-Currency Swaps, as disclosed within Derivatives on the consolidated statement of financial position. After the Covenant Relief Period, the definition of total net debt will be defined as total debt of the Corporation adjusted for the carrying value of the Derivatives. Mullen Group is in compliance with all the Private Placement Debt financial covenants. Mullen Group also had debt comprised of various financing loans, which were secured by specific operating equipment (collectively, the "**Various Financing Loans**").

The following table summarizes the Corporation's total debt:

	June 30, 2016	December 31, 2015
Current liabilities:		
Private Placement Debt	\$ —	\$ 70,000
Various Financing Loans	1,284	1,856
Bank Credit Facility	—	—
	1,284	71,856
Non-current liabilities:		
Private Placement Debt	663,789	693,559
Various Financing Loans	1,989	3,300
	665,778	696,859
	\$ 667,062	\$ 768,715



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

	Year of Maturity	Nominal Interest Rate	June 30, 2016		December 31, 2015	
			Face Value	Carrying Amount	Face Value	Carrying Amount
			\$	\$	\$	\$
Bank Credit Facility	—	Variable	—	—	—	—
Private Placement Debt	2017 - 2026	3.84% - 5.90%	666,594	663,789	765,576	763,559
Various Financing Loans	2016 - 2018	3.63% - 7.68%	3,273	3,273	5,156	5,156
			669,867	667,062	770,732	768,715

9. Share Capital

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

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

On May 17, 2016, the Corporation closed a bought deal public offering (the "**Offering**") and a non-brokered private placement (the "**Private Placement**") by issuing 11,993,250 Common Shares at a price of \$13.30 per Common Share for gross proceeds of \$159.5 million. Share issuance costs and the related deferred tax associated with the issuance was \$6.3 million and \$1.7 million, respectively.

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

	# of Common Shares	
	2016	2015
Issued Common Shares at January 1	91,661,066	91,610,709
Common Shares issued on the Offering and the Private Placement	11,993,250	—
Stock options exercised	—	46,580
Common Shares issued on conversion of Debentures	—	—
Issued Common Shares at June 30	103,654,316	91,657,289

10. Earnings per Share

(a) Basic Earnings per Share

Basic earnings per share is calculated as net income attributable to common shareholders divided by the weighted average number of Common Shares outstanding for the period. Net income attributable to common shareholders for the three and six month periods ended June 30, 2016, were \$13.7 million and \$35.1 million (2015 – \$0.9 million and \$3.7 million), respectively. The weighted average number of Common Shares outstanding for the three and six month periods ended June 30, 2016 and 2015 was calculated as follows:

	Note	Three month periods ended June 30		Six month periods ended June 30	
		2016	2015	2016	2015
Issued Common Shares at beginning of period	9	91,661,066	91,652,042	91,661,066	91,610,709
Effect of Common Shares issued		5,930,728	—	2,965,364	—
Effect of stock options exercised		—	3,070	—	33,851
Effect of Debentures converted		—	—	—	—
Weighted average number of Common Shares at end of period – basic		97,591,794	91,655,112	94,626,430	91,644,560



(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 June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Net income	\$ 13,770	\$ 885	\$ 35,144	\$ 3,697
Effect on finance costs from conversion of Debentures (net of tax)	—	—	—	—
Net income – adjusted	\$ 13,770	\$ 885	\$ 35,144	\$ 3,697

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

	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Weighted average number of Common Shares – basic	97,591,794	91,655,112	94,626,430	91,644,560
Effect of "in the money" stock options	—	81,370	—	75,835
Effect of conversion of Debentures	—	—	—	—
Weighted average number of Common Shares at end of period – diluted	97,591,794	91,736,482	94,626,430	91,720,395

For the three and six month periods ended June 30, 2016, 2,172,500 stock options (2015 – 1,795,000) were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive. The average market value of the Corporation's Common Shares for the purposes of calculating the dilutive effect of stock options was based on quoted market prices for the periods ended June 30, 2016 and 2015. For the three and six month periods ended June 30, 2016 and 2015, the 1,159,874 Common Shares that would be issued upon conversion of the convertible unsecured subordinated debentures ("**Debentures**") were excluded from the diluted weighted average number of Common Shares calculation as their effect would have been anti-dilutive.

11. Seasonality of Operations

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

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

12. Other (Income) Expense

	Three month periods ended June 30		Six month periods ended June 30	
	2016	2015	2016	2015
Change in fair value of investments	\$ 4,160	\$ 4,146	\$ 4,288	\$ 8,481
Loss (gain) on sale of property, plant and equipment	829	(185)	785	19
Earnings from equity investments	(666)	(572)	(1,145)	(1,050)
	\$ 4,323	\$ 3,389	\$ 3,928	\$ 7,450



13. Operating Segments

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

Three month period ended June 30, 2016	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations		Total
				Trucking/ Logistics	Oilfield Services	
Revenue	\$ 169,312	\$ 79,540	\$ 484	\$ (1,704)	\$ (711)	\$ 246,921
Income (loss) before income taxes	19,731	759	(2,630)	—	—	17,860
Depreciation of property, plant and equipment	5,186	10,971	1,574	—	—	17,731
Amortization of intangible assets	1,750	2,439	—	—	—	4,189
Capital expenditures ⁽¹⁾	6,883	378	10	—	(142)	7,129
Total assets at June 30, 2016	\$ 481,346	\$ 606,285	\$ 770,556	\$ —	\$ —	\$ 1,858,187

⁽¹⁾ Excludes business acquisitions

Three month period ended June 30, 2015	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations		Total
				Trucking/ Logistics	Oilfield Services	
Revenue	\$ 174,172	\$ 111,253	\$ 645	\$ (947)	\$ (351)	\$ 284,772
Income (loss) before income taxes	18,525	2,504	(11,334)	—	—	9,695
Depreciation of property, plant and equipment	5,061	12,010	1,618	—	—	18,689
Amortization of intangible assets	2,029	2,796	—	—	—	4,825
Capital expenditures ⁽¹⁾	8,547	3,713	593	—	—	12,853
Total assets at December 31, 2015	\$ 472,159	\$ 654,344	\$ 690,532	\$ —	\$ —	\$ 1,817,035

⁽¹⁾ Excludes business acquisitions



NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
Three and six month periods ended June 30, 2016 and 2015 (unaudited)
(Tabular amounts in thousands, except share and per share amounts)

Six month period ended June 30, 2016	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations		Total
				Trucking/ Logistics	Oilfield Services	
Revenue	\$ 343,201	\$ 179,314	\$ 952	\$ (3,447)	\$ (1,366)	\$ 518,654
Income before income taxes	36,691	2,302	2,610	—	—	41,603
Depreciation of property, plant and equipment	10,199	22,236	3,115	—	—	35,550
Amortization of intangible assets	3,734	5,153	—	—	—	8,887
Capital expenditures ⁽¹⁾	10,644	886	140	—	(151)	11,519
Total assets at June 30, 2016	\$ 481,346	\$ 606,285	\$ 770,556	\$ —	\$ —	\$ 1,858,187

⁽¹⁾ Excludes business acquisitions

Six month period ended June 30, 2015	Trucking/ Logistics	Oilfield Services	Corporate	Intersegment eliminations		Total
				Trucking/ Logistics	Oilfield Services	
Revenue	\$ 354,248	\$ 269,447	\$ 1,477	\$ (1,891)	\$ (1,263)	\$ 622,018
Income (loss) before income taxes	32,873	17,661	(29,176)	—	—	21,358
Depreciation of property, plant and equipment	9,896	23,390	3,136	—	—	36,422
Amortization of intangible assets	4,058	5,467	—	—	—	9,525
Capital expenditures ⁽¹⁾	14,117	9,392	25,770	—	(3)	49,276
Total assets at December 31, 2015	\$ 472,159	\$ 654,344	\$ 690,532	\$ —	\$ —	\$ 1,817,035

⁽¹⁾ Excludes business acquisitions

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

14. Related Party Transactions

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



CORPORATE INFORMATION

DIRECTORS | OFFICERS

Murray K. Mullen

Chairman of the Board, Chief Executive Officer,
President and Director

Greg Bay, CFA

Lead Director

Alan D. Archibald

Director

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

Director

Stephen H. Lockwood, Q.C.

Director

David E. Mullen

Director

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

Director

P. Stephen Clark, CPA, CMA, ICD.D

Chief Financial Officer

Richard J. Maloney

Senior Vice President

Joanna K. Scott

Corporate Secretary and
Vice President, Corporate Services

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LAWYERS

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Calgary, Alberta

AUDITORS

PricewaterhouseCoopers LLP

Calgary, Alberta

STOCK EXCHANGE

Toronto Stock Exchange

Trading Symbol: MTL

TRANSFER AGENT AND REGISTRAR

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