

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared as of May 9, 2017, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. ("Strad" or the "Company"). This MD&A discusses the operating and financial results for the three months ended March 31, 2017, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Strad for the three months ended March 31, 2017, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2016. Strad's financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY". All amounts are stated in Canadian Dollars unless otherwise noted.

Additional information relating to Strad for the three months ended March 31, 2017, may be found under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

FIRST QUARTER SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Revenue of \$27.7 million increased 81% compared to \$15.3 million for the same period in 2016;
- Adjusted EBITDA⁽¹⁾ of \$4.5 million compared to \$0.4 million for the same period in 2016;
- Loss per share was \$(0.04) compared to \$(0.08) for the same period in 2016;
- On February 7, 2017, the Company closed a bought deal financing with a syndicate of underwriters. A total of 8,928,572 Class A shares ("common shares") were issued, including 1,164,596 common shares issued pursuant to the exercise of the over-allotment option, for gross proceeds of \$15.0 million. Share issue costs of \$1.0 million were incurred in relation to the financing;
- On February 15, 2017, the Company closed the strategic acquisition of Got Mats?, a private company, located in Elkhorn, Manitoba. Consideration of \$4.5 million was paid, consisting of \$1.0 million in cash and the issuance of 2,143,375 common shares, valued at the closing February 15, 2017, share price of \$1.65;
- On February 22, 2017, the Company closed the acquisition of two private companies, located in Fort St. John, British Columbia. Consideration of \$2.8 million was paid, consisting of \$1.8 million of cash, and the issuance of 561,798 common shares, valued at the closing February 22, 2017, share price of \$1.83 per share;
- Capital additions totaled \$3.5 million during the first quarter of 2017; and
- Total funded debt⁽²⁾ to EBITDA⁽³⁾ ratio was 1.8 to 1 at the end of the first quarter of 2017.

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

(2) Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.

(3) EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional charges.

FIRST QUARTER FINANCIAL HIGHLIGHTS

(\$000's, except per share amounts)

	Three months ended March 31,		
	2017	2016	% chg.
Revenue	27,660	15,258	81
Adjusted EBITDA ⁽¹⁾	4,496	398	1,030
Adjusted EBITDA as a % of revenue	16%	3%	
Per share (\$), basic	0.08	0.01	700
Per share (\$), diluted	0.08	0.01	700
Net loss	(2,347)	(2,994)	22
Per share (\$), basic	(0.04)	(0.08)	50
Per share (\$), diluted	(0.04)	(0.08)	50
Funds from operations ⁽²⁾	5,527	1,737	218
Per share (\$), basic	0.08	0.03	167
Per share (\$), diluted	0.08	0.03	167
Capital expenditures ⁽³⁾	3,470	421	724
Total assets	194,094	154,960	25
Long-term debt	15,589	15,500	1
Total long-term liabilities	27,601	22,111	25
Common shares - end of period ('000's)	60,013	37,280	
Weighted avg common shares ('000's)			
Basic	55,643	36,944	
Diluted	55,643	36,944	

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

(2) Funds from operations is cash flow from operating activities excluding changes in non-cash working capital. Funds from operations is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

(3) Includes assets acquired under finance lease and purchases of intangible assets.

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of solutions, including Surface Equipment, Environmental and Access Matting, Solids Control and Waste Management, EcoPond® (frac-water storage), Drill Pipe and Matting Manufacturing. Strad has strategically diversified its operations through the addition of new products and services, and is geographically diversified across North America. Strad's commodity exposure includes conventional and unconventional oil, liquids rich natural gas and dry natural gas as well as exposure to energy infrastructure projects including pipelines, power transmission and facilities construction. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin ("WCSB") into resource plays in the United States ("U.S."), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, and selected areas within the western United States Rockies. As of March 31, 2017, the Company has 24 operating locations throughout North America.

FIRST QUARTER RESULTS

Strad reported an increase in revenue and adjusted EBITDA of 81% and 1,030%, respectively during the three months ended March 31, 2017, compared to the same period in 2016. Strad's first quarter results were impacted by higher drilling activity levels in the WCSB region and slightly higher revenue from the U.S. Operations offset by lower overall Product Sales compared to the prior period. Despite the overall increase in drilling activity and utilization of Strad's equipment fleets, pricing continued to be challenging across all of the Company's operating regions muting the impact of higher activity levels on revenue during the three months ended March 31, 2017. Adjusted EBITDA margin percentage increased 16% compared to 3% in the prior year, due to higher utilization and a relatively fixed cost structure.

Strad's Canadian Operations reported an increase in revenue and adjusted EBITDA of 144% and 183%, respectively, during the three months ended March 31, 2017, compared to the same period in 2016. Increased revenue was a result of higher drilling activity throughout the first quarter and a corresponding increase in surface equipment utilization and an increase in the surface equipment fleet due to the acquisitions completed in the third quarter of 2016 and the first quarter of 2017. These revenue gains were offset by lower pricing during the first quarter of 2017 compared to the same period in 2016. Revenue during the first quarter was further impacted by the deployment of Strad's matting fleet earlier in the 2017 season compared to the prior year.

Strad's U.S. Operations reported an increase in revenue of 6% and an increase in adjusted EBITDA of 146% compared to the same period in 2016. Rig counts in two of Strad's targeted U.S. resource plays were also higher during the first three months of 2017 compared to the same period in 2016. Rig counts in the Bakken, Rockies and Marcellus regions changed by (6)%, 56%, and 40%, respectively.

Strad's Product Sales operations reported a decrease in revenue of 13%, primarily the result of a decrease in rental fleet equipment sales in the three months ending March 31, 2017, as compared to the same period in 2016.

During the first quarter of 2017, capital expenditures were \$1.3 million in Canada and \$2.2 million in the U.S. Capital expenditures related primarily to wood matting additions in Canada and the U.S. Strad's 2017 capital budget of \$15.0 million will be evaluated during the year based on affordability and activity levels.

OUTLOOK

The increase in drilling activity we experienced during the fourth quarter of 2016 continued into the first quarter of 2017 resulting in improved revenue and adjusted EBITDA quarter-over-quarter. We particularly noted an increase in demand for our services in the WCSB during the first quarter where the average rig count increased from 158 in the first quarter of 2016 to 298 in the first quarter of 2017. The addition of Redneck in the third quarter of 2016 had a positive impact on our results this quarter due to our expanded equipment offering in the Deep Basin, one of the most active oil and gas basins in North America.

Pricing for the majority of our products and services during the first quarter remained at levels consistent with the fourth quarter of 2016 as pricing with the majority of our customers was agreed to in the last six months of 2016. Wet weather conditions in the WCSB resulted in an early start to the matting season. Stronger demand and a shortage of matting products translated into double digit price increases at the end of the first quarter and into the second quarter. We expect pricing in this segment to remain strong through the 2017 matting season, assuming demand levels continue. Increasing prices for all of our products and services will continue to be a primary focus for our team as activity levels continue to improve year-over-year.

During the first quarter, we continued to progress on our strategic priorities being continued growth of the energy infrastructure customer vertical, continued focus on increasing our size and scale and maintaining our lean cost structure.

Energy infrastructure revenue accounted for 32% of total revenue, 38% of total Canadian Operations revenue and 10% of total U.S. Operations revenue during the first quarter of 2017. We added approximately 4,050 sheets of wood matting to our U.S. fleet, which were subsequently deployed to various energy infrastructure projects in the U.S. We expect

this segment to increasingly become a more significant portion of our U.S. Operations revenue as we continue to add new customers.

Growing our size and scale using a combination of growth capital and tuck-in acquisitions continued during the first quarter with the addition of Got Mats? and two private companies in British Columbia along with deploying \$3.5 million in capital expenditures of the total \$15.0 million 2017 capital budget. New capital was primarily allocated to matting opportunities in the U.S. to support the growth of the energy infrastructure customer vertical. We expect to deploy the remainder of our 2017 capital budget primarily to matting in both Canada and the U.S. as opportunities arise.

Looking ahead to the second quarter of 2017 and beyond, we expect the trend of higher activity levels year-over-year and further price increases in both Canada and the U.S. to continue, assuming current demand for our products and services continues throughout 2017. We will continue our focus on managing our cost structure as activity levels increase to ensure the efficiencies we gained over the past two years are maintained driving margin improvement. Maintaining our balance sheet strength and financial flexibility is key to ensuring we are positioned to take advantage of further opportunities.

RESULTS OF OPERATIONS

Canadian Operations

(\$000's)	Three months ended March 31,		
	2017	2016	% chg.
Revenue	20,946	8,575	144
Operating expenses	14,711	5,814	153
Selling, general and administration	1,383	1,076	29
Share based payments	84	—	
Net income	1,599	440	266
Adjusted EBITDA ⁽¹⁾	4,768	1,685	183
Adjusted EBITDA as a % of revenue	23%	20%	
Capital expenditures ⁽²⁾	1,260	83	1,418
Gross capital assets	157,446	114,108	38
Total assets	123,519	74,779	65
Equipment Fleet:			
Surface Equipment	4,100	2,600	58
Utilization % ⁽³⁾	41%	20%	
Matting	64,200	48,800	32
Utilization %	39%	36%	

Notes:

- (1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("Adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".
- (2) Includes assets acquired under finance lease and purchases of intangible assets.
- (3) Equipment utilization includes surface and matting equipment on rent only and is calculated using gross asset value.

Revenue for the three months ended March 31, 2017, of \$20.9 million increased 144% compared to \$8.6 million for the same period in 2016. Increased revenue during the quarter was primarily a result of higher utilization in matting and surface equipment rentals as compared to Q1 2016. The increase in utilization is partially the result of the acquisitions that occurred in the third quarter of 2016 (Redneck acquisition) and first quarter of 2017 (Got Mats? acquisition) as well as an increase in drilling activity levels during the first quarter of 2017. Industry rig counts increased by approximately 89% during the three months ended March 31, 2017, as compared to the same period in 2016. These factors were offset by a slight decrease in prices for the three months ended March 31, 2017, as compared to the same period in 2016.

During the first quarter, revenue from energy infrastructure projects was approximately \$7.9 million or 38% of total revenue for Canadian Operations. This has increased from \$3.1 million or 36% of total Canadian Operations revenue in the first quarter of 2016.

During the first quarter, Strad's matting rental fleet increased to approximately 64,200 pieces, compared to approximately 48,800 pieces as at March 31, 2016. Part of the increase was due to the Got Mats? acquisition that was completed in February 2017. Utilization increased by 8% during the first quarter of 2017, compared to the first quarter of 2016, due to the increase in energy infrastructure projects. During the first quarter, Strad's surface equipment fleet increased to approximately 4,100 pieces, compared to approximately 2,600 pieces as at March 31, 2016. A key driver to the increase in fleet size was the Redneck acquisition in the third quarter of 2016. Utilization increased by 105% during the first quarter of 2017, compared to the same period in 2016, due to increased market share resulting from third quarter 2016 acquisition of Redneck and the first quarter 2017 acquisitions, as well as an increase in drilling activity.

Adjusted EBITDA for the three months ended March 31, 2017, of \$4.8 million, increased 183% compared to \$1.7 million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the three months ended March 31, 2017, increased to 23% compared to 20% for the same period in 2016.

Operating expenses for the three months ended March 31, 2017, of \$14.7 million increased 153% compared to \$5.8 million for the same period in 2016. The increase in operating expenses during the first three months of 2017 is a result of increased activity levels, utilization rates, and fleet size, as well as an increase in repairs and maintenance costs, as compared to the same period in 2016. An increase in repairs and maintenance is expected during periods where utilization rates increase after a long period of lower utilization as the Company incurs reactivation costs prior to deployment.

Selling, general and administrative costs ("**SG&A**") for the three months ended March 31, 2017, of \$1.4 million increased 29% compared to \$1.1 million for the same period in 2016. SG&A costs increased as a result of the third quarter 2016 Redneck acquisition and first quarter 2017 acquisitions.

U.S. Operations

(\$000's)	Three months ended March 31,		
	2017	2016	% chg.
Revenue	5,066	4,786	6
Operating expenses	3,952	4,130	(4)
Selling, general and administration	896	1,092	(18)
Share based payments	17	—	
Net loss	(2,207)	(1,910)	(16)
Adjusted EBITDA ⁽¹⁾	201	(436)	146
Adjusted EBITDA as a % of revenue	4%	(9)%	
Capital expenditures ⁽²⁾	2,185	296	638
Gross capital assets	141,305	142,458	(1)
Total assets	69,644	82,491	(16)
Equipment Fleet:			
Surface Equipment	2,050	2,070	(1)
Utilization % ⁽³⁾	25%	18 %	
Matting	18,600	12,550	48
Utilization %	18%	20 %	

Notes:

- (1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("Adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".
- (2) Includes assets acquired under finance lease and purchases of intangible assets.
- (3) Equipment utilization includes surface and matting equipment on rent only and is calculated using gross asset value.

Revenue for the three months ended March 31, 2017, increased 6% to \$5.1 million from \$4.8 million for the same period in 2016. The increase in revenue is due to a combination of higher surface equipment utilization rates and a strengthened U.S. dollar when compared to the same period in 2016, which is slightly offset by price declines quarter-over-quarter. The increase in surface equipment utilization is the result of higher rig counts in the Rockies and Marcellus

resource plays. Average rig counts in the Rockies and Marcellus regions increased by 56%, and 40%, respectively, during the first three months of 2017 compared to the same quarter in 2016.

The U.S. matting fleet increased by 6,050 pieces to 18,600 as at March 31, 2017, compared to 12,550 pieces as at March 31, 2016, which increased revenue generated from the matting business and was partially offset by a decrease in utilization from 20% in the first quarter of 2016 to 18% during the first quarter of 2017. The U.S. surface equipment fleet decreased slightly by 20 pieces of equipment to 2,050 pieces as at March 31, 2017, compared to 2,070 pieces as at March 31, 2016.

Adjusted EBITDA for the three months ended March 31, 2017, increased to \$0.2 million compared to \$(0.4) million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the three months ended March 31, 2017, was 4% compared to (9)% for the same period in 2016. The increase in both adjusted EBITDA and adjusted EBITDA as a percentage of revenue is primarily due to an increase in utilization and activity levels, offset by lower pricing in the first quarter of 2017 compared to the same period in 2016.

Operating expenses for the three months ended March 31, 2017, of \$4.0 million decreased 4% compared to \$4.1 million for the same period in 2016. SG&A costs for the three months ended March 31, 2017, of \$0.9 million decreased 18% compared to \$1.1 million for the same period in 2016. The decrease in operating and SG&A expenses is due to cost reductions implemented by management including staff reductions and reductions in discretionary spending.

Product Sales

(\$000's)	Three months ended March 31,		
	2017	2016	% chg.
Revenue	1,648	1,897	(13)
Operating expenses	1,083	1,845	(41)
Selling, general and administration	50	—	—
Share based payments	—	—	—
Net loss	(270)	(294)	
Adjusted EBITDA ⁽¹⁾	515	51	910
Adjusted EBITDA as a % of revenue	31%	3%	
Capital expenditures ⁽²⁾	25	—	
Total assets	27	67	(60)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("Adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

(2) Includes assets acquired under finance lease and purchases of intangible assets.

Product Sales are comprised of in-house manufactured products sold to external customers, third party equipment sales to existing customers and sales of equipment from Strad's existing fleet to customers.

Revenue for the three months ended March 31, 2017, decreased 13% to \$1.6 million from \$1.9 million for the same period in 2016, resulting primarily from lower rental asset equipment sales. During the three months ended March 31, 2017, Product Sales consisted of \$0.2 million of in-house manufactured products, \$0.5 million of third party equipment sales and \$0.9 million of rental fleet sales compared to \$0.4 million, \$0.1 million and \$1.4 million, respectively, during the same period in 2016.

Adjusted EBITDA for the three months ended March 31, 2017, increased to \$0.5 million from \$50 thousand for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the three months ended March 31, 2017, was 31% compared to 3% for the same period in 2016.

Operating expenses for the three months ended March 31, 2017, of \$1.1 million decreased 41% compared to \$1.8 million for the same period in 2016. Operating expenses vary with individual transactions and business activity levels.

Corporate

Selling, general and administration expenses are largely allocated to the individual operating segments and reflected in the adjusted EBITDA performance discussed previously. The remaining unallocated corporate costs consist of head office infrastructure and general corporate costs. Corporate costs for the three months ended March 31, 2017, were \$1.0 million compared to \$0.9 million for the same period in 2016. Corporate costs as a percentage of total revenue during the three months ended March 31, 2017, were 3% compared to 6% in the comparable period. Acquisition related transaction costs of \$0.1 million were incurred during the three months ended March 31, 2017.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment, intangible assets and long term assets increased to \$6.4 million for the three months ended March 31, 2017, compared to \$5.1 million for the same period in 2016. The increase in depreciation expense was related to an increase in capital assets acquired through the acquisitions in 2016 and 2017 and during the normal course of business.

Interest and Finance Fees

Interest expense totaled \$0.5 million for the three months ended March 31, 2017, compared to \$0.2 million for the same period in 2016. The increase in interest expense is due to higher interest rates during the covenant waiver period in the first quarter of 2017. Average funded debt for the three months ended March 31, 2017, was \$19.3 million compared to \$14.8 million for the same period in 2016.

Gain on Foreign Exchange

Gain on foreign exchange for the three months ended March 31, 2017, was \$0.1 million compared to a gain of \$0.4 million for the same period in 2016. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/U.S. exchange rates. The Company has exposure to U.S. dollars since a portion of the Company's customers and vendors transact in USD and the Company reports in CAD. The Canadian dollar has slightly weakened by 1% against the U.S. dollar over the past year (1 CAD = 0.75 USD as at March 31, 2017, compared to 1 CAD = 0.77 USD as at March 31, 2016).

Income Taxes

For the three months ended March 31, 2017, the Company recorded a loss before income taxes of \$2.2 million and incurred current income tax expense of \$nil and deferred income tax expense of \$0.1 million, compared to a current tax recovery of \$0.2 million and a deferred income tax recovery of \$1.2 million for the same period in 2016. The deferred income tax expense, or recovery, represents timing differences between accounting book value and tax basis. The anticipated amount and timing of expense or recovery of deferred taxes will be dependent upon the Company's actual results, and the actual acquisition and disposition of assets and liabilities.

The overall effective tax rate was (5)% for the three months ended March 31, 2017, compared to 33% for the same period in 2016.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	<u>Mar 31, 2017</u>	<u>Dec 31, 2016</u>	<u>Sep 30, 2016</u>	<u>Jun 30, 2016</u>
<i>(\$000's, except per share amounts)</i>				
Revenue	27,660	27,263	20,277	9,580
Adjusted EBITDA ⁽¹⁾	4,496	4,782	1,247	(1,983)
Net loss	(2,347)	(3,105)	(3,746)	(6,958)
Per share (\$), basic	(0.04)	(0.06)	(0.09)	(0.19)
Per share (\$), diluted	(0.04)	(0.06)	(0.09)	(0.19)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("Adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

	Three months ended			
	<u>Mar 31, 2016</u>	<u>Dec 31, 2015</u>	<u>Sep 30, 2015</u>	<u>Jun 30, 2015</u>
<i>(\$000's, except per share amounts)</i>				
Revenue	15,258	21,972	25,299	29,907
Adjusted EBITDA ⁽¹⁾	398	2,500	4,021	3,854
Net loss	(2,994)	(8,316)	(20,362)	(1,887)
Per share (\$), basic	(0.08)	(0.23)	(0.55)	(0.05)
Per share (\$), diluted	(0.08)	(0.23)	(0.55)	(0.05)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("Adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately half of Strad's gross capital assets are located in the U.S. The U.S. does not normally experience the same seasonal reduction in drilling activity that the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is typically minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. However, energy infrastructure related projects create more demand during the first and fourth quarters which will result in higher demand for matting during non-peak seasons as the customer vertical continues to grow. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters.

LIQUIDITY AND CAPITAL RESOURCES

<i>(\$000's)</i>	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Current assets	35,930	31,852
Current liabilities	18,435	16,216
Working capital ⁽¹⁾	17,495	15,636
Banking facilities		
Operating facility	2,776	1,478
Syndicated revolving facility	15,589	26,501
Total facility borrowings	18,365	27,979
Total credit facilities ⁽²⁾	48,500	48,500
Unused credit capacity	30,135	20,521

Notes:

(1) Working capital is calculated as current assets less current liabilities.

(2) Facilities are subject to certain limitations on accounts receivable, inventory, and net book value of fixed assets and are secured by a general security agreement over all of the Company's assets. As at March 31, 2017, Strad had access to \$48.5 million of credit facilities.

As at March 31, 2017, working capital was \$17.5 million compared to \$15.6 million at December 31, 2016. The change in current assets is a result of a 16% increase in accounts receivable to \$28.3 million for the first quarter of 2017 compared to \$24.5 million for the fourth quarter of 2016. The increase in accounts receivable is due to an increase in rental equipment related revenue during the first quarter as compared to the fourth quarter of 2016. Inventory decreased by 8% to \$3.6 million at March 31, 2017, from \$3.9 million at December 31, 2016, and prepaid expenses remained consistent at \$1.1 million. The decrease in inventory relates to the normal course of business.

The change in current liabilities is a result of a 7% increase in accounts payable and accrued liabilities to \$14.9 million at March 31, 2017, compared to \$13.9 million at year end. The accounts payable increase correlates to the increase in activity and operating expenses during the first quarter of 2017 compared to the fourth quarter of 2016. Bank indebtedness

increased to \$2.8 million at the end of the first quarter compared to bank indebtedness of \$1.5 million for the fourth quarter of 2016.

Funds from operations for the three months ended March 31, 2017, increased to \$5.5 million compared to \$1.7 million for the three months ended March 31, 2016. Capital expenditures totaled \$3.5 million for the three months ended March 31, 2017. Strad's total facility borrowing decreased by \$9.6 million for the three months ended March 31, 2017, compared to the fourth quarter of 2016. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

As at March 31, 2017, the Company's syndicated banking facility consists of an operating facility with a maximum principal amount of \$7.0 million CAD and \$5.0 million USD, and a \$36.5 million syndicated revolving facility, both of which are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over all of the Company's assets. As at March 31, 2017, the Company has access to the maximum credit facilities. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company's funded debt to EBITDA ratio. The Company's syndicated banking facility matures on September 29, 2018.

Based on the Company's current credit facility, the interest rate will increase to bank prime plus 3.50% on prime rate advances and at the prevailing rate plus a stamping fee of 4.50% on bankers' acceptances during the covenant waiver period which continues through the first quarter of 2017. The covenant waiver was obtained as a result of the Redneck acquisition and not as a result of any covenant breach. For the three months ended March 31, 2017, the overall effective rates on the operating facility and revolving facility were 5.30% and 5.60%, respectively. As of March 31, 2017, \$2.8 million was drawn on the operating facility and \$15.6 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at March 31, 2017, the Company was in compliance with all of the financial covenants under its credit facilities.

The relevant definitions of financial debt covenant ratio terms as set forth in the Company's syndicated banking facility are as follows:

- Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
- EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus charges.
- Interest expense ratio is calculated as the ratio of trailing twelve months adjusted EBITDA plus share based payments to trailing twelve months interest expense on loans and borrowings.

The above noted definitions are not recognized under IFRS and are provided strictly for the purposes of the financial debt calculation.

Financial Debt Covenants	As at March 31, 2017	As at December 31, 2016
<i>Funded debt to EBITDA ratio (not to exceed 5.5:1.0)</i>		
Funded debt	19,289	29,025
EBITDA	10,774	9,119
Ratio	1.8	3.2
<i>EBITDA to interest coverage ratio (no less than 1.75:1.0)</i>		
EBITDA	10,774	9,119
Interest expense	1,584	1,557
Ratio	6.8	5.9

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at March 31, 2017, were as follows:

<i>(\$000's)</i>	Total	1 Year or Less	2-3 Years	4+ Years
Finance leases	924	751	173	—
Operating leases	16,823	3,511	6,509	6,803
Total commitments	17,747	4,262	6,682	6,803

All of the Company's contractual obligations range from less than one year to 10 years.

On June 1, 2016, a Statement of Claim in respect of a proposed class action lawsuit was filed in the Alberta Court of Queen's Bench by certain plaintiffs, against the Company and its directors. The statement of claim contains various claims relating to historical communications regarding a possible business combination among the Company and Total Energy Services Inc. The plaintiffs are seeking, among other things, certification as a class action, general damages of \$18.5 million and punitive damages of \$5.0 million. Management asserts that the plaintiff's allegations are unfounded and without merit and the Company intends to vigorously defend the action.

OUTSTANDING COMPANY SHARE DATA

	As of May 9, 2017
Common shares	60,012,740
Options	2,106,337
Fully diluted common shares	62,119,077

OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2017, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Loans to key management

Key management includes the Company's directors and members of the Executive Management Team.

	For the period ended	
	March 31, 2017	December 31, 2016
Opening balance	\$ 995	993
Share purchase loans issued	—	159
Repayment of share purchase loan	—	(157)
	995	995

Certain key management personnel and directors have loans outstanding totaling \$1.0 million from the Company. Proceeds of the loans were used to purchase common shares in the Company. The loan balances are non-interest bearing for the first three years the loan balances are outstanding. After three years, the notes bear interest at the prime lending rate per annum established by the Company's bank, plus 1% interest. The loans are required to be repaid in full on the maturity date, being 10 years from the date of issuance.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in applying its accounting policies and practices which have a significant impact on the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that are critical to determining Strad's financial results.

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on Management's best estimate using knowledge of past transactions and experience and industry practice, and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limits to use.

The Company used an option pricing model such as the Black-Scholes model to determine the fair value of certain share-based payments. The inputs to these models are based on various estimates such as volatility, dividend yield, interest rates and the expected term. The Company uses historic informational trends to determine the best estimates to use. Management reviews these estimates for each new award granted.

Inventory is to be carried at the lower of cost and net realizable value. Management regularly reviews the estimates associated with net realizable value, which is the selling price prevailing in the market, less any costs to sell. Significant changes in economic and business conditions could impact the timing and magnitude of impairment charges in inventory.

The Company makes estimates of the fair value of assets and liabilities assumed in a business combination, which includes estimates of the fair value of property, plant and equipment, working capital, debt and obligations under capital leases.

The Company makes estimates when determining the recoverable amount of assets subject to impairment testing. The recoverable amount of assets are determined using the greater of fair value less costs of disposal and value-in-use. Fair value less costs of disposal and value-in-use calculations require the use of estimates, assumptions, and judgments. Value-in-use calculations require management estimates regarding projected future sales, earnings, capital investment and discount rates. Fair value less costs of disposal requires management to make estimates of future sales, earnings and capital investment, market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, discount rates, capitalization rates, and terminal capitalization rates, as well as estimations of costs to sell. The estimates are reviewed each time an impairment calculation is required.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. Deferred income tax assets are assessed by Management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings. Management reviews current and potential changes to tax law and bases estimates on the most relevant information available.

When there is objective evidence that the full collection of accounts receivable is unlikely, Management will estimate the most likely amount to be recovered. Amounts estimated are based on the best available information at the time the estimate is made.

Future accounting policy and disclosures

On July 24, 2014, the IASB issued the complete IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company is currently evaluating the impact of adopting IFRS

9 on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 2014, the IASB published IFRS 15, “*Revenue From Contracts With Customers*” (“IFRS 15”) replacing IAS 11, “*Construction Contracts*”, IAS 18, “*Revenue*” and several revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued Clarifications to IFRS 15. The clarifications provide additional guidance with respect to the five-step analysis and transition to the Standard. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016, the IASB issued IFRS 16, “*Leases*” (“IFRS 16”), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 “*Revenue From Contracts With Customers*” has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. Amendments can be applied prospectively. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have designed, or have caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurances that (i) material information relating to the Company is made known to the Corporation's Chief Executive Officer and Chief Financial Officer by others, particularly during the period of time in which the annual and interim filings are being prepared; and (ii) the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. They are assisted in this responsibility by the Company's Management team. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is accumulated and communicated to the Company's Management to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company certify on a quarterly and annual basis that senior management has designed such internal controls over financial reporting (“ICFR”), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework (2013) (“COSO Framework”) published by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Chief Executive Officer and Chief Financial Officer of the Company directed the assessment of the design and operating effectiveness of the Company’s internal controls over financial reporting as at December 31, 2016, and based on that assessment determined that the Company’s internal controls over financial reporting was, in all material respects, appropriately designed and operating effectively.

The Company’s internal controls over financial reporting may not prevent or detect all errors, misstatements and fraud. The design of internal controls must also take into account resource constraints. A control system, including the Company’s internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the three months ended March 31, 2017, there have been no changes in the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The operations of Strad face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on the Company’s financial condition and results of operations. The following are a selection of certain risks and uncertainties identified by the Company.

Risks in the Oil and Natural Gas Exploration and Production Industry

The oil and natural gas exploration and production industry in which the Company operates is highly volatile, and there can be no assurance that demand for the Company’s services will be maintained at current levels.

The demand, pricing and terms of oil and natural gas services largely depends upon the level of exploration, development and production activity for both crude oil and natural gas in the WCSB and in the United States. Oil and natural gas industry conditions are influenced by numerous factors over which the Company has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, levels of consumer demand, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, the availability of services relating to drilling and completion, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas industry in the WCSB and in the United States is volatile. Commodity prices are expected to remain volatile as a result of global excess supply due to the increased growth of shale oil production in the United States, the decline in global demand for exported crude oil commodities, and the Organization of the Petroleum Exporting Countries’ (“OPEC”) recent decisions pertaining to the oil production of OPEC member countries, among other factors. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore, affect the demand for drilling and well services by oil and natural gas companies. Any addition to, or elimination, or curtailment of, government incentives for companies involved in the exploration for, and production of, oil and natural gas, could have a significant effect on the oilfield services industry in the WCSB. A material sustained decline in industry activity, could have a material adverse effect on the Company’s business, financial condition, results of operations and cash flows.

Competition

The Company competes with a number of companies with varying technical and financial resources. Several businesses that compete directly with Strad, but may be part of a larger entity, include Precision Drilling Corporation, Total Energy Services Inc., Clean Harbors Inc., Black Diamond Group Limited, Horizon North Logistics Inc. and Stallion Oilfield Services Ltd. The Company's competitors in the United States market where the Company operates are region specific. The largest national competitor is Stallion Oilfield Services Ltd. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Company, or that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing, and, may result in lower revenues or margins to the Company.

Ongoing Capital Requirements

The Company's business strategy is based, in part, upon the continued expansion of the Company's ability to provide a range of oil and natural gas rentals and services. In order to continue to implement its business strategy, the Company will be required to make additional capital investments. The Company expects to finance these capital expenditures through vendor financing, ongoing cash flow from operations, borrowings under its syndicated credit facility and by raising capital through the sale of additional debt or equity securities. The Company's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants and limits in the Company's current and future debt agreements, by the Company's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Company's control. The Company's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect on the Company.

Current Global Financial Conditions

Current global financial conditions have been subject to volatility. Worldwide commodity prices are expected to remain volatile in the near future as a result of global excess supply, recent actions taken by OPEC and ongoing global credit and liquidity concerns. As a result of these global conditions, the Company is subject to counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash; and (ii) the Company's insurance providers. As a result, the Company may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Company would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

The Company is also exposed to liquidity risk in the event its cash positions decline or become inaccessible for any reason, or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable, or demand for oil and gas falls. Any of these factors may impact the ability of the Company to obtain further equity based funding, loans and other credit facilities in the future, and, if obtained, on terms favorable to the Company.

Political Uncertainty

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During the recent presidential campaign a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. Included in the actions that the administration has discussed are the renegotiation of the terms of the North American Free Trade Agreement, withdrawal of the United States from the Trans-Pacific Partnership, imposition of a tax on the importation of goods into the United States, reduction of regulation and taxation in the United States, and introduction of laws to reduce immigration and restrict access into the United States for citizens of certain countries. It is presently unclear exactly what actions the new administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular the oil and gas services industry or the Company's cross-border operations. Any actions taken by the new United States administration may have a negative impact on the

Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and gas service companies, including the Company.

In addition to the political disruption in the United States, the citizens of the United Kingdom recently voted to withdraw from the European Union and the Government of the United Kingdom has begun taken steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could increase costs for goods and services required for the Company's operations, reduce access to skilled labour and negatively impact the Company's business, operations, financial conditions.

Seasonality of Oilfield Operations

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring breakup"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. Therefore, the movement of heavy equipment required for drilling and well servicing activities is restricted, and the level of activity of our customers is consequently reduced. As the Company continues its expansion into the United States, these seasonal factors will be reduced.

Accounts Receivable

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to its customers delaying or failing to pay invoices. Risk of payment delays, or failure to pay, is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company's customers. It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does have significant exposure to a few customers that account for 10% or more of revenue from operations for the three months ended March 31, 2017, however these customers fluctuate and do not represent concentration risk at quarter end. The Company is not concerned regarding the collection of these receivables.

Environmental Legislation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial, state and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and natural gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial and state authorities. Compliance with such legislation can require significant expenditures by Strad's customers and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

The Company is committed to meeting its responsibilities to protect the environment wherever it operates and takes the required steps to ensure compliance with environmental legislation in the jurisdictions in which it operates. Strad believes that it is in material compliance with applicable environmental laws and regulations.

The Company believes that it is reasonably likely that the trend towards more stringent standards in environmental legislation and regulation will continue. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not currently possible to predict either the nature of those requirements or the impact on the Company and its operations and financial condition at this time.

Employees

The Company may not be able to find enough labour to meet its needs, and this could limit growth. The Company may also have difficulty finding enough labour in the future if demand for its services increases. Shortages of qualified

personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

If the Company is unable to find enough labour, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

For additional information, including risks and uncertainties and other factors that could affect the Company's business, see "Risk Factors" in the Company's AIF dated March 29, 2017, which is available on SEDAR at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

The Company's Management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the related unaudited condensed interim consolidated financial statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "plan", "continue", "estimate", "anticipate", "potential", "targeting", "intend", "could", "might", "should", "believe", "may", "predict", or "will" and similar expressions are intended to identify forward-looking information or statements. More particularly, this MD&A contains forward-looking statements concerning future capital expenditures of the Company and funding thereof, changes and expectations in margins to be experienced by Strad, anticipated cash flow, debt, demand for the Company's products and services, drilling activity in North America, pricing of the Company's products and services, introduction of new products and services and the potential for growth and expansion of certain components of the Company's business, anticipated benefits from cost reductions and timing thereof, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity including the effects of industry trends on demand for the Company's products. These statements relate to future events or to the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. In addition to other material factors, expectations and assumptions which may be identified in this MD&A and other continuous disclosure documents of the Company referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Company operates; exchange and interest rates; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, which are subject to change based on commodity prices; market conditions and future oil and natural gas prices; and potential timing delays. Although Management considers these material factors, expectations and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with the Canadian Securities Regulatory Authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

NON-IFRS MEASURES RECONCILIATION

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and, therefore, are considered non-IFRS measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS measure. However, they should not be used as an alternative to IFRS, because they may not be consistent with calculations of other companies. These measures are further explained below.

Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS. Management believes that in addition to net income, adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed or how the results are taxed. Adjusted EBITDA is calculated as net income (loss) plus interest, finance fees, taxes, depreciation and amortization, loss on disposal of property, plant and equipment, loss on foreign exchange, less gain on foreign exchange and gain on disposal of property, plant and equipment. Segmented adjusted EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations, U.S. Operations and Product Sales.

Funds from operations are cash flow from operating activities excluding changes in non-cash working capital. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities. Working capital, cash forecasting and banking facilities are used by Management to ensure funds are available to finance growth opportunities.

Funded debt is calculated as bank indebtedness plus long-term debt plus current and long-term portion of finance lease obligations less cash.

Reconciliation of Funds from Operations (\$000's)

	Three months ended March 31,	
	2017	2016
Net cash generated from operating activities	3,541	5,246
Less:		
Changes in non-cash working capital	(1,986)	3,509
Funds from Operations	5,527	1,737

Reconciliation of Adjusted EBITDA
(\$000's)

	Three months ended March 31,	
	2017	2016
Net loss	(2,347)	(2,994)
Add (deduct):		
Depreciation and amortization	6,383	5,149
Gain on disposal of PP&E	(78)	(193)
Deferred income tax (recovery) expense	116	(1,201)
Financing fees	73	47
Interest expense	436	244
Gain on foreign exchange	(87)	(437)
Current income tax recovery	—	(217)
Adjusted EBITDA	4,496	398

Reconciliation of quarterly non-IFRS measures
(\$000's)

	Three months ended			
	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Net loss	\$ (2,347)	\$ (3,105)	\$ (3,746)	\$ (6,958)
Add:				
Depreciation and amortization	6,383	7,610	4,930	4,516
Gain on disposal of PP&E	(78)	(105)	(35)	(268)
(Gain) loss on foreign exchange	(87)	123	17	3
Current income tax (recovery) expense	—	204	(242)	(918)
Deferred income tax (recovery) expense	116	(403)	(39)	1,438
Interest expense	436	415	318	157
Finance fees	73	43	44	47
Adjusted EBITDA	4,496	4,782	1,247	(1,983)

	Three months ended			
	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015
Net loss	\$ (2,994)	\$ (8,316)	\$ (20,362)	\$ (1,887)
Add:				
Depreciation and amortization	5,149	7,126	9,616	7,020
Gain on disposal of PP&E	(193)	(99)	(30)	(80)
(Gain) loss on foreign exchange	(437)	216	380	(81)
Current income tax recovery	(217)	(677)	(432)	(18)
Deferred income tax recovery	(1,201)	(4,033)	(2,776)	(1,541)
Interest expense	244	427	311	391
Impairment loss	—	7,822	17,277	—
Finance fees	47	34	37	50
Adjusted EBITDA	398	2,500	4,021	3,854

**Reconciliation of funded debt
(\$000's)**

	Three months ended March 31, 2017	Year Ended December 31, 2016
Bank indebtedness	2,776	1,478
Long term debt	15,589	26,501
Current and long term obligations under finance lease	924	1,046
Total funded debt	19,289	29,025