MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of May 8, 2013, 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, 2013, 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, 2013, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2012, all of which 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".

Additional information relating to Strad for the three months ended March 31, 2013, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- First quarter EBITDA(1) from continuing operations of $10.7 million decreased 33% compared to $16.0 million for the same period in 2012, and increased 39% compared to fourth quarter 2012 EBITDA of $7.7 million;
- First quarter revenue from continuing operations of $44.7 million, a 21% decrease compared to $56.3 million for the same period in 2012;
- Successful restructuring of Strad's U.S. Operations resulted in an EBITDA(1) margin increase to 32% in the first quarter compared to 15% in the fourth quarter of 2012;
- Capital expenditures were $2.7 million in the first quarter;
- Total funded debt(2) to trailing EBITDA ratio of 1.5 to 1 at the end of the first quarter of 2013; and
- First quarter earnings per share from continuing operations of $0.03, a 79% decrease from $0.14 for the same period in 2012.

Notes:

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

(2) Funded debt includes bank indebtedness plus current and long-term portion of debt plus current and long-term obligations under finance lease less cash. EBITDA is based on trailing twelve months. See "Non-IFRS Measures Reconciliation".

FIRST QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended March 31, 2013	2012	% chg.
Revenue from continuing operations	44,723	56,301	(21)
EBITDA from continuing operations (1)	10,659	15,981	(33)
EBITDA as a % of revenue	24%	28%	
Per share ($), basic	0.29	0.44	(34)
Per share ($), diluted	0.29	0.42	(31)
Net income from continuing operations (2)	1,063	5,123	(79)
Per share ($), basic	0.03	0.14	(79)
Per share ($), diluted	0.03	0.14	(79)
Funds from continuing operations (3)	10,752	14,638	(27)
Per share ($), basic	0.29	0.40	(28)
Per share ($), diluted	0.29	0.39	(26)
Capital expenditures from continuing operations (4)	2,665	23,360	(89)
Total assets	226,563	228,993	(1)
Return on Average Total Assets (5)	18%	30%	
Long-term debt(6)	55,500	37,500	48
Total long-term liabilities	66,729	54,120	23
Common shares – end of period ('000's)	37,251	37,246	
Weighted average common shares			
basic	36,533	36,713	
diluted	37,344	37,617	

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(2) *Net income from continuing operations excludes income attributable to the non-controlling interests.*
(3) *Funds from operations is cash flow from operating activities before changes in working capital. Funds from operations is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(4) *Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.*
(5) *Return on average total assets is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(6) *Excluding current portion.*

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of well-site infrastructure and activation solutions, including Surface Equipment, Environmental and Access Matting, Drill Pipe, Solids Control and Waste Management, EcoPond™ (frac-water storage) and Manufacturing and Equipment Design. 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. 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, 2013, the Company has 31 operating locations throughout North America.

FIRST QUARTER RESULTS

Strad reported a decrease in revenue and EBITDA of 21% and 33%, respectively, during the three months ended March 31, 2013, compared to the same period in 2012. Lower activity levels in the Marcellus region, lower drilling activity in the WCSB, as well as increased competition and pricing pressure in the Bakken region, were the main reasons for the reduction in revenue year-over-year.

Strad's Canadian Operations reported lower revenue and EBITDA during the three months ended March 31, 2013, compared to the same period in 2012. Decreased revenue and EBITDA were a result of reduced drilling activity in the WCSB and lower pricing compared to the first quarter of 2012. Drilling activity at the beginning of the first quarter was down 11% on a year-over-year basis and, on average, activity for the full quarter was down 8% on a year-over-year basis.

First quarter revenue and EBITDA results from Strad's U.S. Operations continued to be affected by lower utilization levels in the Marcellus resource play in Pennsylvania. Overall rig counts in the Marcellus during the first quarter declined 32% from first quarter 2012 levels, resulting in lower utilization rates for Strad's equipment and matting fleet as well as increased pricing pressure. During the first quarter, Strad's U.S. Operations were also impacted by increased competition in North Dakota which resulted in modest pricing pressure and utilization declines.

Despite lower drilling rig utilization in Pennsylvania and increased competition in North Dakota, Strad's U.S. Operations first quarter EBITDA margin increased to 32% from 15% in the fourth quarter of 2012. This significant increase in EBITDA margin is due to the implementation of management's restructuring plan to re-align the U.S. Operations cost structure with current market conditions.

During the first quarter, Strad added $0.2 million of capital assets in Canada and $2.1 million in the U.S. For the three months ended March 31, 2013, Strad has spent $2.7 million of its budgeted $15.0 million capital program. Strad continues to invest in equipment which is in high demand in both Canada and the U.S.

OUTLOOK

Overall industry conditions during the first quarter deteriorated slightly on a year-over-year basis as a result of lower North American drilling activity compared to the first quarter of 2012. Lower drilling activity was due to continued low natural gas prices, fluctuating commodity prices and oil transportation bottlenecks in the WCSB which resulted in regional oil price discounts. All of these factors have impacted operating cash flows of exploration and production ("E&P") companies, resulting in reduced capital spending during the first quarter.

In the WCSB, active drilling rigs in the first quarter of 2013 averaged 496 compared with 540 for the same period in 2012, an 8% decline. In the United States, drilling rig activity levels varied by region. Following Strad's operational restructuring, the majority of Strad's U.S. fleet now operates in the Bakken and Marcellus resource plays. The active rig count in the Bakken averaged 191 rigs in the first quarter of 2013, down 7% from 206 in the prior year period. A decline was also evident in the gas-weighted Marcellus play, where the active rig count averaged 92 during the first quarter of 2013, down 32% from 135 in the prior year period. On a sequential basis, rig counts in the Bakken and Marcellus remained essentially level with the fourth quarter of 2012, down 3% and up 1%, respectively.

Strad's Canadian business was impacted by a slower ramp-up in the winter drilling season as well as a delayed spring break-up. Management expects the Company's matting business to experience typical seasonal increases in demand during the second quarter as spring break-up and associated wet weather arrives. However, the level of snowpack across much of Alberta and Saskatchewan and the expected significant melt could prolong spring break-up in the WCSB. Looking ahead towards the remainder of 2013, management has adopted a prudent approach towards Strad's Canadian operational spending, whereby the Company's capital budgeting will be largely determined by E&P capital spending.

Despite an overall drop in industry activity within Strad's target markets of the Marcellus and Bakken, the Company was able to restore EBITDA margins to 32% during the first quarter due to the successful implementation of management's restructuring plan. This represents a significant increase from 15% EBITDA margins experienced during the fourth quarter of 2012 and is indicative of the Company's ability to flexibly scale its operations in parallel with demand. The cost reductions anticipated have been fully reflected in first quarter results and further reductions from these levels are not expected. With a restructured U.S. cost-base and continued strong presence, management remains confident in the long-term potential of both its Bakken and Marcellus focused operations.

Capital expenditures during the first quarter totaled $2.7 million, with the majority of this capital deployed in the U.S. This represents a year-over-year decline of 89%, which is a byproduct of the continued absorption of investments made during 2012 as well as a response to moderating activity levels in key markets. Strad also introduced its new 45,000 barrel EcoPond™ tank, which was successfully tested in the U.S. during the first quarter. With similar industry conditions expected for the remainder of 2013, Strad intends to apply its free cash flow to a combination of capital expenditures and debt reduction on a quarter-by-quarter basis. This approach to spending will enable the Company to selectively target key areas for growth, while maintaining its current dividend, and facilitate its plan to pay down a portion of its debt in 2013.

As Strad progresses through 2013, management remains aware of the persistent uncertainty facing the E&P sector in North America. In light of this, Strad continues to adopt a balanced approach to strategic planning where near-term caution does not compromise the long-term growth potential in its current target markets. Management continues to believe that its diversification strategy across geographic, commodity and product lines is paramount to achieving stable long term growth and offers the Company significant flexibility by maintaining exposure to a range of opportunities.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended March 31,		
($000's)	**2013**	**2012**	**% chg.**
Revenue	17,742	21,826	(19)
EBITDA (1)	4,794	7,373	(35)
EBITDA %	27%	34%	
Capital expenditures (2)	197	10,363	(98)
Gross capital assets	108,199	93,273	16
Total assets	108,133	109,123	(1)

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("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. Capital expenditures are net of rental asset disposals.*

Revenue generated for the three months ended March 31, 2013, decreased 19% to $17.7 million versus $21.8 million for the same period in 2012. First quarter 2013 revenue decreased primarily as a result of lower drilling activity in the WCSB at the start of the winter drilling season. Drilling activity averaged 8% below 2012 levels during the first quarter. Lower drilling activity resulted in decreased surface equipment, matting and drill pipe rental revenue during the first quarter compared to 2012. However, the impact of lower drilling activity was partially offset by cold weather in March which delayed spring break-up and extended the winter drilling season. Although the extended winter drilling season has increased the utilization of surface equipment, the colder weather has delayed the deployment of mats.

EBITDA for the three months ended March 31, 2013, of $4.8 million, decreased 35% compared to $7.4 million for the same period in 2012. EBITDA as a percentage of revenue for the three months ended March 31, 2013, was 27% compared to 34% for the same period in 2012. This decrease is primarily due to lower rental revenue.

U.S. Operations

	Three months ended March 31,		
($000's)	**2013**	**2012**	**% chg.**
Revenue	13,979	20,913	(33)
EBITDA (1)	4,506	7,448	(40)
EBITDA %	32%	36%	
Capital expenditures (2)	2,148	12,825	(83)
Gross capital assets	106,014	88,967	19
Total assets	112,512	108,618	4

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("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. Capital expenditures are net of rental asset disposals.*

Revenue for the three months ended March 31, 2013, decreased 33% to $14.0 million from $20.9 million for the same period in 2012. The decrease was a result of the overall reduction in drilling activity in the U.S., which was most pronounced in Pennsylvania's Marcellus resource play where overall rig counts declined 32% from first quarter 2012 levels. As a result, Strad's U.S. Operations experienced lower surface equipment and matting utilization rates and reduced pricing as customers continued to focus on other oil and natural gas liquids rich resource plays. During 2012, Strad refocused its operations accordingly, however the overall reduction in drilling has impacted first quarter revenue levels. First quarter revenue was also impacted by increased competition in North Dakota which resulted in modest pricing pressure and lower utilization rates. North Dakota continued to be the most active region for Strad's U.S. Operations despite increased competition.

EBITDA for the three months ended March 31, 2013, decreased 40% to $4.5 million compared to $7.4 million for the same period in 2012. The decrease in EBITDA is due to the previously mentioned reduction in overall asset utilization rates and pricing pressure in the Marcellus, pricing pressure in the Bakken and a shift in product mix. EBITDA as a percentage of revenue for the three months ended March 31, 2013, was 32% compared to 36% for the same period in 2012 and 15% for the fourth quarter of 2012. Sequentially, EBITDA as a percentage of revenue increased significantly from the prior quarter due to the successful implementation of management's restructuring plan which re-aligned the U.S. Operations cost structure with the current market conditions. Due to the timing and successful execution of management's plan, Strad's U.S. Operations was able to realize the benefits of a reduced cost structure earlier than anticipated.

Product Sales

	Three months ended March 31,		
($000's)	**2013**	**2012**	**% chg.**
Revenue	13,002	13,562	(4)
EBITDA (1)	2,352	2,038	15
EBITDA %	18%	15%	
Capital expenditures (2)	203	172	18
Total assets	1,724	6,527	(74)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization ("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.

Revenue for the three months ended March 31, 2013, decreased 4% to $13.0 million from $13.6 million for the same period in 2012 resulting primarily from lower matting sales. This was largely due to lower demand for matting prior to spring break-up in Canada as E&P companies remained cautious with capital spending during the first quarter.

Product Sales are comprised of in-house manufactured products sold to external customers, first party equipment sales to existing customers, and sales of equipment from Strad's existing fleet to customers. Product Sales revenues tend to fluctuate quarter-to-quarter depending on customer demand and manufacturing capacity dedicated to external sales.

EBITDA for the three months ended March 31, 2013, of $2.4 million, increased slightly by 15% compared to $2.0 million for the same period in 2012. The increase in EBITDA is due to slightly higher margins on matting sales and manufacturing sales to external customers. The Company also implemented cost reductions in the first quarter in the Manufacturing unit to better match the cost structure with current and expected activity levels. EBITDA as a percentage of revenue for the three months ended March 31, 2013, was 18% compared to 15% for the same period in 2012. EBITDA as a percentage of revenue will vary from quarter-to-quarter depending on the mix of sales as first party equipment sales and sales of equipment from Strad's existing fleet are at lower margins compared to sales of in-house manufactured products.

Corporate

Selling, general and administrative expenses are largely allocated to the individual operating segments and reflected in the EBITDA performance discussed previously. The remaining unallocated Corporate costs consist of head office infrastructure including executive members and associated costs of operating a public company. Corporate costs for the three months ended March 31, 2013, were $1.0 million as compared to $0.9 million for the same period in 2012. Corporate costs as a percentage of total revenue during the three months ended March 31, 2013, remained consistent with 2012 at 2%.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets used in continuing operations was $7.6 million for the three months ended March 31, 2013, compared to $6.3 million for the same period in 2012. Capital additions of $67.2 million during 2012, increased depreciation and amortization for the most recent period.

Interest and Finance Fees

Interest expense from continuing operations totaled $0.7 million for the three months ended March 31, 2013, compared to $0.4 million for the same period in 2012. The increase in interest expense was due to higher average debt balances during the three months ended March 31, 2013, compared to the same period in 2012. As at March 31, 2013, total funded debt outstanding was $63.2 million compared to $54.5 million as at March 31, 2012. The increase in funded debt at March 31, 2013, was due to capital expenditures of $2.7 million during the first three months of 2013 and $67.2 million in 2012.

Finance fees from continuing operations for the three months ended March 31, 2013, remained consistent with 2012 at $0.1 million. Financing fees are costs incurred to secure debt financing.

Gain/Loss on Foreign Exchange

Gain on foreign exchange from continuing operations for the three months ended March 31, 2013, was $0.1 million compared to a loss of $0.4 million for the same period in 2012. 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 as operations in the U.S. represent a significant component of the asset base and operating cash flow. The Canadian dollar has weakened by 2% against the U.S. dollar over the past year (1 CAD = 0.98 USD at March 31, 2013, compared to 1 CAD = 1.00 USD at March 31, 2012).

Income Taxes

For the three months ended March 31, 2013, the Company recorded income before income taxes, non-controlling interest and discontinued operations of $1.6 million, incurred current income tax expense of $0.2 million and deferred tax expense of $0.3 million from continuing operations, compared to a current tax expense of $1.2 million and a deferred income tax expense of $2.0 million for the same period in 2012. 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 35% for the three months ended March 31, 2013, compared to 36% for the same period in 2012.

Discontinued Operations

On January 12, 2012, the Company announced the sale of its Production Services Division. Therefore, the financial results of the Production Services Division have been classified as discontinued operations in the Company’s condensed interim consolidated financial statements.

For the three months ended March 31, 2013, the Company recorded income of $nil, net of tax, from discontinued operations compared to a loss of $0.3 million for the same period in 2012.

Non-Controlling Interest

For the three months ended March 31, 2013, non-controlling interest was $nil compared to $0.5 million for the same period in 2012. During 2012, the Company acquired all of the outstanding non-controlling interests which existed in less than wholly-owned subsidiaries.

SUMMARY OF QUARTERLY RESULTS

($000's, except per share amounts)	Three months ended (unaudited) Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012
Revenue from continuing operations	44,723	41,465	51,094	54,304
EBITDA from continuing operations(1)	10,659	7,675	12,030	10,885
Net income (loss) from continuing operations	1,063	(3,490)	2,937	2,772
Per share ($), basic	0.03	(0.10)	0.08	0.08
Per share ($), diluted	0.03	(0.09)	0.08	0.07

($000's, except per share amounts)	Three months ended (unaudited) Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011
Revenue from continuing operations	56,301	62,098	62,675	36,717
EBITDA from continuing operations(1) (2)	15,981	17,169	17,484	10,498
Net income from continuing operations(2)	5,123	7,661	7,325	3,569
Per share ($), basic	0.14	0.21	0.20	0.10
Per share ($), diluted	0.14	0.21	0.20	0.10

Notes:

(1) *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(2) 2012 EBITDA and net income amounts are presented in accordance with IFRS.

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 United States does not normally experience the same reduction in drilling activity as the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters. Strad invests strategically in its asset base so the deployment of new equipment can coincide with higher levels of sustained activity in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	**March 31, 2013**	**December 31, 2012**
Current assets	50,532	50,010
Current liabilities	31,389	36,982
Working capital(1)	19,143	13,028
Banking facilities		
Operating facility	3,166	2,488
Syndicated revolving facility	55,500	55,500
Total facility borrowings	58,666	57,988
Total available facilities	110,000	110,000
Unused borrowing capacity	51,334	52,012

(1) Working capital is calculated as current assets less current liabilities. See "Non-IFRS Measures Reconciliation".

At March 31, 2013, working capital was $19.1 million compared to $13.0 million at December 31, 2012. The change in working capital is consistent with the modest change in revenue from the fourth quarter of 2012 to the first quarter of 2013. Funds from operations for the three months ended March 31, 2013, increased to $10.8 million compared to $8.1 million for the three months ended December 31, 2012. During the first quarter of 2013, Strad spent $2.7 million on capital additions compared to $11.4 million for the three months ended December 31, 2012. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million CAD and $10.0 million USD, and an $85.0 million 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 the Company's assets. 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.

Based on the Company's funded debt to EBITDA ratio of 1.5 to 1 at the end of the first quarter of 2013, the interest rate on the syndicated banking facility is bank prime plus 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. For the three months ended March 31, 2013, the overall effective rates on the operating facility and revolving facility were 4.03% and 3.46%, respectively. As of March 31, 2013, $3.2 million was drawn on the operating facility and $55.5 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at March 31, 2013, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at March 31, 2013, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**
Finance leases	4,705	2,457	2,033	215
Operating leases	13,120	3,747	4,430	4,943
Total commitments	17,825	6,204	6,463	5,158

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

OUTSTANDING COMPANY SHARE DATA

	As of April 30, 2013 *(unaudited)*
Common shares – voting	37,251,301
Options	2,608,000
Fully diluted common shares	39,859,301

OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2013, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management

Key management includes the Company's directors and members of the Executive Management team. The compensation paid or payable to key management for services is shown below:

	Three months ended March 31,	
	2013	**2012**
Salaries and short-term employee benefits	$ 703	$ 285
Share-based payments	67	221
	770	506

Certain key management personnel and a director have loans totaling $1.8 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 of the loan for employees who are officers of the Company.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at March 31, 2013, relate to standard working capital and credit facility items. There are no significant differences between the carrying value of these financial instruments and their estimated fair values. There are no off-balance sheet arrangements and the Company does not use any financial instruments such as derivatives. Of the Company's financial instruments, accounts receivable represents credit risk. The Company provides credit to its customers in the normal course of operations. The Company's credit risk policy includes performing credit evaluations of its customers. Substantially all of the Company's accounts receivable are due from companies in the oil and natural gas industry and are subject to the normal industry credit risk. Management views the credit risk related to accounts receivable as minimal. Funds drawn under the syndicated banking facility bear interest at a floating interest rate. Therefore, to the extent that the Company borrows under this facility, the Company is at risk to rising interest rates.

The Company is exposed to the following additional risks:

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they become due. Management's approach to managing risk includes utilizing detailed working capital, cash and capital expenditure forecasting and monthly budgeting to ensure liquidity is available when the financial obligations are due. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk associated with its U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/U.S. exchange rates. The Company does not utilize derivative financial instruments with respect to foreign exchange. For the period ended March 31, 2013, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by $3 thousand (2012 - $42 thousand).

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgements, 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 of the underlying assets. Useful lives are based on management's best estimate using knowledge of past transactions, 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. It is possible that changes in these factors may cause changes in the estimated useful lives of the Company's property, plant and equipment in the future.

The Company's assets are segregated into cash-generating units based on their ability to generate largely independent cash flows and used for impairment testing. The determination of the Company's cash-generating units is subject to management's judgment.

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value less costs to sell and value-in-use. Fair value less costs to sell and value-in-use calculations require the use of estimates, assumptions and judgements. Value-in-use calculations require management to use assumptions regarding discount rates and estimated future cash flows. Fair value less costs to sell requires management to make judgements of fair value using market conditions as well as estimations of costs to sell.

Compensation costs accrued for long-term stock-based compensation plans are subject to their fair value estimation by using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Inventory is to be carried at the lower of cost and net realizable value. Management's best estimate of net realizable value is the selling price prevailing in the market.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. 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.

New standards adopted by the Company January 1, 2013:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard has not had a material impact on the Company's financial statements.

IFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this standard has not had a material impact on the Company’s financial statements.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard has not had a material impact on the Company’s financial statements. Additional disclosures on fair value measurement required by IFRS 13 have been disclosed in note 22.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, have designed, or have caused to be designed under their supervision, the Company’s disclosure controls and procedures to provide reasonable assurances that the information required to be disclosed by the Company in its filings or other reports submitted by it under securities legislation is in compliance with 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 filings or other reports submitted by it under securities legislation is accumulated and communicated to the Company’s Management to allow timely decisions regarding required disclosure.

As at December 31, 2012, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Strad’s disclosure controls and procedures as defined by National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings. Based on this evaluation, the CEO and CFO concluded that, as at December 31, 2012, Strad’s disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, were effective.

During 2013, Strad has focused on continuous improvement and improved execution of its disclosure controls and procedures. Strad will continue to evaluate the disclosure controls and procedures with modifications being made when necessary. There were no changes in Strad’s disclosure controls and procedures that occurred during the three months ended March 31, 2013, which have materially affected, or are reasonably likely to materially affect, Strad’s disclosure controls and procedures.

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 will have to 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 (“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, 2012, 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, 2013, there have been no changes in the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to have materially affected the Company’s internal controls over financial reporting.
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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.

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 assurances that demand for the Company’s services will be maintained at current levels.

The demand, pricing and terms of oil and natural gas services now and in the future largely depend 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, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

Competition

The Company competes with a number of companies, some of which have greater technical and financial resources. The market consists of a range of companies, large and small, public and private. 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. The Company’s customers may elect not to purchase its services if they view the Company’s financial viability as unacceptable, which would cause the Company to lose customers.

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 rental equipment and related services. In order to continue to implement its business strategy, the Company will be required to further its capital investment. 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.

Seasonality of Oilfield Operations

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. While the Company’s facilities are open and accessible year-round, spring break-up reduces the Company’s activity levels in Canada.

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 not have significant exposure to any individual customer, other than one customer that accounted for 15% of revenue from continuing operations.

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 government 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.

For additional information that could affect the Company's business, see "Risk Factors" in the Company's AIF which is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking statements. More particularly, this MD&A contains forward-looking statements concerning future capital expenditures of the Company, debt, dividends, 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, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity. 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.

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. 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. These factors include, but are not limited to, such things as the impact of general industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in this MD&A under the heading "Risk Factors" above and in additional detail in the Company's Annual Information Form (**"AIF"**). Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether the result of new information, future events or otherwise.

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.

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 ("EBITDA") is not a recognized measure under IFRS. Management believes that in addition to net income, 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. EBITDA is calculated as net income from continuing operations plus interest, finance fees, taxes, depreciation and amortization, non-controlling interest, loss on disposal of property, plant and equipment, loss on foreign exchange, loss on assets held for sale, restructuring charges, impairment loss, less gain on foreign exchange and gain on disposal of property, plant and equipment. Segmented EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations, U.S. Operations, Product Sales and Corporate.

Funds from operations are cash flow from operating activities excluding changes in 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 is used by Management to gauge what banking facilities are available for reinvestment in the business.

Annualized return on average total assets for the three months ended March 31, 2013, is calculated as annualized year-to-date EBITDA divided by the average of total assets over the fourth quarter of 2012, including a three month lag. The three month lag represents the time between the purchase of capital assets and when they are deployed in the field and earning revenue. In 2012, the return on average total assets calculation was adjusted to include total Company assets, whereas prior calculations included total drilling services assets only.

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

Reconciliation of EBITDA and Funds from Operations
($000's)

	Three Months Ended March 31,	
	2013	2012
Net income from continuing operations	1,063	5,123
Add:		
Depreciation and amortization	7,626	6,253
Loss on disposal of PP&E	586	35
Loss on disposal of assets held for sale	158	-
Non-controlling interest	-	520
Share-based payments	188	249
Deferred income tax expense	345	1,956
Financing fees	72	58
Interest expense	714	444
Funds from operations	10,752	14,638
Add:		
(Gain)/loss on foreign exchange	(121)	401
Current income tax expense	216	1,191
Subtotal	10,847	16,230
Deduct:		
Share-based payments	188	249
EBITDA	10,659	15,981

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

	Three months ended (unaudited)			
	Mar. 31, 2013	Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012
Net income from continuing operations	1,063	(3,490)	2,937	2,772
Add:				
Depreciation and amortization	7,626	7,667	7,362	7,003
Loss/(gain) on disposal of PP&E	586	226	22	(11)
Loss on disposal of assets held for sale	158	-	-	-
(Gain)/loss on foreign exchange	(121)	(195)	510	(32)
Non-controlling interest	-	-	22	(187)
Current income tax expense/(recovery)	216	(13)	788	(104)
Deferred income tax expense/(recovery)	345	(3,804)	(528)	748
Interest expense	714	739	854	638
Restructuring expense	-	4,129	-	-
Impairment loss	-	2,350	-	-
Finance fees	72	66	63	58
EBITDA	10,659	7,675	12,030	10,885
Communications operating loss	-	679	610	556
EBITDA (Adjusted)	10,659	8,354	12,640	11,441

	Three months ended (unaudited)			
	Mar. 31, 2012	Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011
Net income from continuing operations	5,123	7,661	7,325	3,569
Add:				
Depreciation and amortization	6,253	5,713	5,214	4,611
Loss/(gain) on disposal of PP&E	35	(96)	52	(119)
Loss/(gain) on foreign exchange	401	52	(915)	329
Non-controlling interest	520	543	497	(210)
Current income tax expense	1,191	1,177	2,074	-
Deferred income tax expense	1,956	1,499	2,749	1,832
Interest expense	444	620	457	486
Finance fees	58	-	31	-
EBITDA	15,981	17,169	17,484	10,498
Communications operating loss	167	213	179	358
EBITDA (Adjusted)	16,148	17,382	17,663	10,856