MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of August 12, 2011 and is intended to assist the reader to understand the current and prospective 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 and six months ended June 30, 2011, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited interim Consolidated Financial Statements of Strad for the three and six months ended June 30, 2011, which were prepared in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, the Company prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles (**"GAAP"**). Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY".

Additional information relating to Strad for the three and six months ended June 30, 2011, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR")** at www.sedar.com.

SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

For the three and six months ended June 30,
($000's, except per share amounts)

	Three months ended June 30,			Six months ended June 30,		
	2011	**2010**	**% chg.**	**2011**	**2010**	**% chg.**
Revenue	52,753	33,610	57	97,361	67,068	45
EBITDA(1)	11,320	5,356	111	19,765	11,851	67
Per share ($), basic	0.31	0.27		0.54	0.59	
Per share ($), diluted	0.31	0.27		0.53	0.59	
Net Income	3,557	852		5,144	2,410	
Per share ($), basic	0.10	0.04		0.14	0.12	
Per share ($), diluted	0.10	0.04		0.14	0.12	
Funds from Operations(2)	11,653	4,669	150	20,022	10,170	97
Per share ($), basic	0.32	0.23		0.55	0.50	
Per share ($), diluted	0.32	0.23		0.54	0.50	
Capital Expenditures(3)	20,345	12,385		52,110	18,957	
Total assets	231,058	153,535	50	231,058	153,535	50
Long term debt(4)	26,395	23,821		26,395	23,821	
Total long term liabilities	39,433	28,677		39,433	28,677	
Common Shares – end of period ('000's)	37,246	20,149		37,246	20,149	
Weighted average Common Shares						
basic	36,633	20,148		36,633	20,149	
diluted	36,981	20,148		37,021	20,149	

SEGMENTED INFORMATION

For the three and six months ended June 30,

($000's, except per share amounts)

($000's)	Three months ended June 30, 2011	2010	% chg.	Six months ended June 30, 2011	2010	% chg.
Drilling Services						
Revenue	36,717	18,633	97	63,499	36,037	76
EBITDA[(1)]	12,490	5,379	132	21,200	11,575	83
EBITDA %	34.0%	28.9%		33.3%	32.1%	
Capital Expenditures[(3)]	19,971	12,343		51,750	18,683	
Gross Capital Assets	133,313	65,163		133,313	65,163	
Total Assets	172,455	91,380	89	172,455	91,380	89
Annualized Return on Average Total Assets %[(5)]	35.7%	26.4%		33.1%	28.4%	
Production Services						
Revenue	16,036	14,977	7	33,862	31,031	9
EBITDA[(1)]	822	1,579	(48)	2,109	3,176	(33)
EBITDA %	5.1%	10.5%		6.2%	10.2%	
Capital Expenditures[(3)]	72	114		87	247	
Gross Capital Assets	15,560	14,961		15,560	14,961	
Total Assets	56,595	60,000		56,595	60,000	
Annualized Return on Average Total Assets %[(5)]	5.4%	10.3%		6.9%	10.0%	
Corporate EBITDA[(1)]	(1,992)	(1,602)		(3,544)	(2,900)	
Total EBITDA[(1)]	11,320	5,356		19,765	11,851	

Notes:

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

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

(3) Includes assets acquired under finance lease. Segmented information does not include capital expenditures for the corporate segment of Strad as they are minimal.

(4) Excluding current portion; includes long term portion of finance lease obligations and convertible debentures.

(5) Annualized return on average total drilling assets is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".

OVERVIEW OF THE COMPANY

Strad operates with two core segments; Drilling Services and Production Services. Drilling Services includes a comprehensive range of drilling-related products and services, including a wide range of environmental solutions. Production Services include mechanical services, production equipment packaging and electrical and instrumentation services. All divisional figures are reported based on these two segments.

Strad has strategically diversified its operations through the addition of new products and services and through expansion into new geographic areas in North America. Products have exposure to 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 areas throughout the United States, namely the Marcellus in Pennsylvania, the Bakken in North Dakota, the Eagle Ford in Texas and various areas within the western United States Rockies such as the Niobrara. As of June 30, 2011 the Company has 29 operating locations throughout North America.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Record second quarter EBITDA[1] of $11.3 million, a 111% increase compared with $5.4 million in the second quarter of 2010 and a 34% increase in EBITDA compared with the first quarter of 2011;
- Annualized EBITDA return on average total Drilling Services assets[2] for the six months ended June 30, 2011, of 33.1% and Drilling Services EBITDA margins of 33.3%;
- Capital expenditures of $20.3 million in the second quarter. By the end of June, $52.1 million of the $86.5 million approved capital program for 2011 had been spent;
- Continued deployment of assets to high growth resource areas in the United States. Record second quarter United States revenues of $15.7 million increased 138% compared to the second quarter of 2010. Total net assets based in the United States now comprise 48% of total Drilling Services net assets compared to 26% at the end of the second quarter of 2010; and
- Ongoing success in the development of new products, including solids control, composite matting and satellite communications rental equipment.

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous Generally Accepted Accounting Principles in Canada ("GAAP"); see "Non-IFRS Measures Reconciliation".*
(2) *Annualized return on average total drilling assets is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*

The record revenue and EBITDA results for the six months ended June 30, 2011, are due to the successful execution of Strad's 2010 and 2011 capital programs. In the second quarter, Strad increased its capital expenditure program to $86.5 million (from $66.5 million), of which 60% has been purchased as of June 30, 2011. Strad's increased capital program is being driven by continued organic demand for the Company's rental products and services. Horizontal drilling and multi-stage fracing activity have increased in the industry. These trends have increased the amount of equipment required on sites, the technical nature of the equipment, and the planning time required prior to execution of drilling. Strad partners with customers at the planning phase to ensure all equipment, logistical and safety needs are being satisfied efficiently.

RESULTS OF OPERATIONS

Consolidated Revenue

Consolidated revenue generated for the three and six months ended June 30, 2011, increased 57% and 45%, respectively, to $52.8 million and $97.4 million compared with $33.6 million and $67.1 million for the same periods in 2010. Higher rental equipment utilization and additional capital expenditures contributed to the significant increase in revenue compared to 2010. Wet weather conditions during the second quarter were beneficial for matting utilizations.

Drilling Services

Revenues generated from the Company's Drilling Services segment for the three and six months ended June 30, 2011, increased 97% and 76%, respectively, to $36.7 million and $63.5 million versus $18.6 million and $36.0 million for the same periods in 2010. Increases resulted primarily from additions to the rental asset fleet in both Canada and the United States. Revenue generated from the United States for the three and six months ended June 30, 2011, increased to $15.7 million and $24.6 million, respectively, or 138% and 144%, from $6.6 million and $10.1 million in the same periods in 2010. Canadian Drilling Services revenue also improved; for the three and six months ended June 30, 2011, revenue of $21.0 million and $38.9 million increased 76% and 50%, respectively, compared with revenue of $12.0 million and $25.9 million for the same periods in 2010.

The Company's growing United States business is stabilizing seasonal impacts for its rental equipment operations. The typical decline experienced by Canadian oilfield service providers in the second quarter due to wet field conditions and road bans is increasingly mitigated by the Company's growing U.S. operations. The WCSB extended wet field conditions in the second quarter drove demand for the Company's matting products which helped to mitigate decreased utilization of drilling equipment products.

Production Services

Production Services revenue improved 7% and 9% to $16.0 million and $33.9 million for the three and six months ended June 30, 2011, respectively, compared with $15.0 million and $31.0 million for the same periods in 2010. Revenue increased as the number of field technicians in the group increased 15% over June 30, 2011, but was negatively impacted by wet field conditions preventing technicians from accessing customer sites. Industry conditions in the WCSB have not changed significantly over that of last year due to continued depressed natural gas prices.

Operating Expenses

Consolidated operating expenses increased 47% and 41% to $32.0 million and $60.8 million for the three and six months ended June 30, 2011, respectively, from $21.7 million and $43.0 million for the same period in 2010. Operating expenses increased for the three and six months ending June 30, 2011, consistent with increases in revenue for the same period.

Selling, General and Administrative

Selling, general and administrative (**"SG&A"**) expenses include salaries and other compensation and benefits for sales, office and administrative staff, professional fees, corporate office rent, information systems and communications and marketing for the Company. SG&A expenses increased 42% and 37% for the three and six months ended June 30, 2011 to $9.1 million and $16.3 million, respectively, from $6.4 million and $11.9 million for the same period in 2010. The increase is due to higher levels of Company activity and costs associated with being a publicly traded company, and a growth in infrastructure needed to support the Company's growing operations in both Canada and the United States.

As a percentage of revenue, for the three and six months ended June 30, 2011 SG&A expenses were 17% compared to 19% and 18% for the same periods in 2010.

Stock based compensation was $0.2 million and $0.5 million for the three and six months ended June 30, 2011 compared to $0.2 million and $0.3 million for the same period in 2010.

EBITDA

Consolidated EBITDA for the three and six months ended June 30, 2011, of $11.3 million and $19.8 million improved 111% and 67%, respectively, compared with $5.4 million and $11.9 million for the same periods in 2010 for the reasons stated above. EBITDA as a percentage of revenue for the three and six months ended June 30, 2011, was 21% and 20% compared with 16% and 18% for the same periods in 2010.

Drilling Services EBITDA for the three and six months ended June 30, 2011, of $12.5 million and $21.2 million improved 132% and 83%, respectively, compared with $5.4 million and $11.6 million for the same period in 2010 for the reasons stated above. EBITDA as a percentage of revenue for the three and six months ended June 30, 2011, was 34% and 33% compared with 29% and 32% for the same periods in 2010.

Production Services EBITDA for the three and six months ended June 30, 2011, of $0.8 million and $2.1 million decreased 48% and 33%, respectively, compared with $1.6 million and $3.2 million for the same periods in 2010 for the reasons stated above. EBITDA as a percentage of revenue for the three and six months ended June 30, 2011, was 5% and 6% compared with 10% for the same periods in 2010.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets was $5.6 million and $10.3 million for the three and six months ended June 30, 2011, respectively, compared to $3.5 million and $6.9

million for the same period in 2010. Capital additions of $23.6 million throughout the second half of 2010 and $52.1 million for the first six months in 2011 increased depreciation and amortization for the respective periods.

Interest

Interest totalled $0.5 million and $0.7 million for the three and six months ended June 30, 2011, respectively, compared to $0.6 million and $1.0 million for the same period in 2010. The decrease in interest expense was due to lower debt balances during the three and six months ended June 30, 2011 compared to the same period in 2010. As at June 30, 2011, total funded debt outstanding was $40.6 million compared to $48.4 million as at June 30, 2010.

Loss on Foreign Exchange

Loss on foreign exchange for the three and six months ended June 30, 2011, respectively, was $0.3 million and $0.6 million compared to a loss of $0.2 million and $0.3 million for the same period in 2010. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/United States exchange rates. The Company has increased its exposure to the United States currency as operations in the United States have increased year over year. The Canadian dollar has strengthened by 10% against the US dollar over the past year ($1.037 at June 30, 2011 compared to $0.943 at June 30, 2010).

Income Taxes

For the three and six months ended June 30, 2011, the Company recorded income before income taxes and non-controlling interest of $5.0 million and $8.3 million. The future income tax expense or recovery represents timing differences and the tax effect of rate changes. The anticipated amount and timing of expense or recovery of future taxes will be dependent upon the Company's actual results, and the actual acquisition and disposition of assets and liabilities.

Non-Controlling Interest

For the three and six months ended June 30, 2011, non-controlling interest of $(0.2) million and $0.3 million was recorded compared to $nil and $0.2 million for the same period in 2010. Non-controlling interest exists in less than wholly-owned subsidiaries of the Company and earnings or losses of the subsidiaries are included in the Company's net income and adjusted to reflect the portion attributable to the non-controlling interest.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results as of June 30, 2011 and for the years 2010 and 2009.

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Jun. 30, 2011	**Mar. 31, 2011**	**Dec. 31, 2010**	**Sept. 30, 2010**
Revenue	52,753	44,608	44,949	41,615
EBITDA(1) (2)	11,320	8,445	8,360	8,591
Net income (2)	3,557	1,587	2,579	2,323
Per share ($), basic	0.10	0.04	0.10	0.12
Per share ($), diluted	0.10	0.04	0.09	0.10

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Jun. 30, 2010	**Mar. 31, 2010**	**Dec. 31, 2009**	**Sept. 30, 2009**
Revenue	33,610	33,458	20,468	14,426
EBITDA(1) (2)	5,356	6,495	2,110	86
Net income (loss) (2)	852	1,558	(11,403)	(2,090)
Per share ($), basic and diluted	0.04	0.08	(0.57)	(0.10)

Notes:

(1) EBITDA is a not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".
(2) 2010 EBITDA and net income amounts are presented in accordance with IFRS. 2009 EBITDA and net income are presented in accordance with previous GAAP.

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations to a point where the United States operation now contains 48% of total Drilling Services net assets at June 30, 2011 compared to 26% as of June 30, 2010. The United States does not normally experience the same slow down in activity as the WCSB. Strad product diversity also helps to mitigate seasonal variations. The demand for matting products is minimal during the first quarter with increases throughout the rest of the year whereas rental products demand is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2011, Strad's principal sources of liquidity include working capital of $21.6 million, an increase of $20.8 million compared with June 30, 2010; a revolving demand facility of $25.0 million, of which $10.1 million was drawn; a 364-day revolving capital expenditure facility of $24.0 million, of which $22.0 million was drawn; and a lease facility of $10.0 million of which $4.9 million was drawn as of June 30, 2011. Subsequent to the end of the second quarter, the Company entered into a three year agreement to syndicate its credit facility, increasing its credit limit to $100 million from a limit of $49 million.

Working Capital

The net working capital position of Strad at June 30, 2011 was $21.6 million, an increase from the working capital position of June 30, 2010 by $20.8 million.

Current assets at June 30, 2011 were $67.6 million, an increase of $20.1 million from June 30, 2010. The increase is a result of an increase in accounts receivable of $14.8 million due to higher revenue in the year and the addition of a note receivable of $2.9 million from the conversion of a customer receivable.

Current liabilities at June 30, 2011 were $46.0 million, a decrease of $0.7 million from June 30, 2010. A bank indebtedness decrease of $7.8 million was offset by an increase in accounts payable of $8.0 million through increased industry activity and larger capital expenditure program year over year. Deferred revenue increased by $3.3 million due to the timing of sales transactions. Income taxes payable and long-term debt decreased by $1.6 million and $1.9 million year over year. Current portion lease obligations decreased by $0.7 million due to repayments.

Indebtedness

The Company's bank indebtedness consists of a revolving demand facility with a maximum principal amount of $25.0 million subject to certain limitations on accounts receivable and inventory and is secured by a general security agreement over the Company's assets. The operating loan bears interest at bank prime plus 1.75% on prime rate advances and at the prevailing rate plus a stamping fee of 3.00% on bankers' acceptances. For the six months ended June 30, 2011 the overall effective rate on the operating loan was 4.27%. As of June 30, 2011, $10.1 million was drawn.

The Company has a $24.0 million 364-day revolving bank facility (the "Bank Facility") which can be demanded on June 30, 2012 at which time one third of the balance would be repaid over the ensuing 12 month period with the remaining two thirds of the balance due immediately thereafter. The Bank Facility is subject to certain borrowing restrictions backed by the net book value of the Company's fixed assets. Monthly payments are interest only and the Bank Facility is secured by a general security agreement over the Company's assets. The Bank Facility bears interest at bank prime plus 2.25% on prime rate advances and at the prevailing rate plus a stamping fee of 3.75% on bankers' acceptances. For the six months ended June 30, 2011, the overall effective rate on the revolving loan was 5.23%. As of June 30, 2011, $22.0 million was drawn.

As at June 30, 2010, the Company was in compliance with all of the bank facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at June 30, 2011 were as follows:

($000's)	Total	1 Year or Less	2-3 Years	4-5 Years
Finance Leases	9,218	4,264	4,932	22
Operating leases	12,169	3,246	4,928	3,995
Total Commitments	21,387	7,510	9,860	4,017

All of the Company's contractual obligations range from less than one year to five years. The most significant are the operating lease commitments for a total of $12.2 million.

OUTSTANDING COMPANY SHARE DATA

	As of July 31, 2011 *(unaudited)*
Common shares – voting	37,246,384
Options	2,393,000
Fully diluted Common Shares	39,639,384

OFF BALANCE SHEET ARRANGEMENTS

At June 30, 2011, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Certain employees have loans totalling $1.5 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 employees who are not officers of the Company and are non-interest bearing for the first three years of the loan for employees who are officers of the Company.

OUTLOOK

Industry conditions remained robust in the second quarter and all indications point toward this trend continuing through to the end of this year and into 2012. High oil and liquids rich natural gas prices driven by political instability, and strong global demand, have boosted exploration and development activity throughout North America. This strong demand could translate into improved pricing power for services companies as activity levels continue to improve. Weak natural gas pricing is dampening natural gas drilling activity in some areas of North America but has had limited overall impact on drilling activity in 2011.

In the WCSB, drilling utilization of 24% for the second quarter of 2011 was up from 21% in the second quarter of last year; well permits for the second quarter of 2011 increased 13% over the second quarter of 2010; and meters drilled in the second quarter of 2011 increased 12% over that of the second quarter of 2010. Positive industry indicators were also present in the United States where land rig counts grew due to a 29% increase in those targeting oil compared to a 5% decrease in those directed to natural gas. Horizontal drilling and multi-stage fracing are also being utilized more often to exploit both unconventional resource plays and mature conventional plays. So far this year, 57% of US rig activity was focused on horizontal drilling techniques, compared with 51% in 2010. In Canada, 52% of total wells drilled were horizontal, compared to 41% in 2010. Horizontal drilling techniques require a larger footprint and more advanced planning and equipment on the well site. Management is increasingly focused on signing contracts associated with these larger initiatives, which drive utilization and provide more stable revenue.

Despite global economic instability, the energy services market and Strad's market share have continued to grow and this has allowed the Company to post record quarterly revenue and EBITDA. Contributing to this achievement was the Company's larger asset base that was expanded in 2010 and into 2011. Strad's return on assets continues to be strong. New product initiatives such as solids control, satellite communications equipment and composite mats made up $8.2 million of capital expenditures in the first six months of 2011. The new products and services enhance the value the Company can offer to its customers and helps to further diversify the product suite. Further driving demand for these new products are the continuously evolving high standards of safety and environmental stewardship that continue to present significant concern for customers, particularly those in the high profile new resource plays. These higher standards have created a trend to single source, full service vendors like Strad.

New capital will continue to be allocated in the coming months with a focus on continued development of new and technically advanced products. The Company normally experiences a three month lag between the date of expenditures and the date that assets are deployed in the field and generating revenue. The lag is due to internal preparation necessary to ready the equipment for customer use.

During the second quarter, approximately 60% of the $20.3 million of capital expenditures had been placed in the United States. Total net assets based in the United States now comprise 48% of total Drilling Services net assets compared to 26% at the end of the second quarter of 2010. As such, the Company expects a greater proportion of revenue and EBITDA will be generated from the United States as the year progresses. Management also expects strong utilizations for all of its products and services typical of the positive seasonal pattern for the third and fourth quarters of the year.

The positive industry conditions continue to provide many opportunities and the Company remains focused on organic North American growth. In the second half of the year management expects to focus on executing on its capital program, further building customer relationships by creating strong partnerships, and advancing new product development initiatives. Strad's disciplined process of allocating capital based on four key strategies (customer, resource play, contract and economic return) encourages optimal deployment of capital. Strad is cognizant that a strong balance sheet is also part of being a successful company over the long term. The funds raised last November through the initial public offering, operational cash flow and the existing bank facilities, have provided a strong balance sheet and the funding for the 2011 capital program. Management views funded debt to EBITDA as an important tool in the prudent management of its balance sheet and intends to continue carefully allocating capital. At June 30, 2011, the funded debt to EBITDA ratio was 1.1.

FINANCIAL INSTRUMENTS

All of the Company’s financial instruments as at June 30, 2011 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 unusual off-balance sheet arrangements and the Company does not use any financial instruments such as derivatives. Of the Company’s financial instruments, accounts receivable and note receivable represent 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 credit 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 also exposed to liquidity risk. 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.

CRITICAL ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards

The Company has prepared its June 30, 2011 Interim Consolidated Financial Statements in accordance with IFRS 1, First-time Adoption of International Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the IASB. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on the Company’s operations, strategic decisions, cash flow and capital expenditures.

Note 3 to the Interim Consolidated Financial Statements presents reconciliations between the Company’s 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include a reconciliation of deficit and equity as of June 30, 2010 and a reconciliation of comprehensive income and other comprehensive income for the three and six months ended June 30, 2010.

The following provides summary reconciliations of Strad’s 2010 previous GAAP and IFRS results along with a discussion of the significant IFRS accounting policy changes.

Deficit	**June 30, 2010** $
Deficit as reported under Canadian GAAP	(22,523)
IFRS adjustments increase (decrease)	
Share-based payments	(680)
Deferred tax	69
Deficit as reported under IFRS	(23,134)

Equity	June 30, 2010 $
Equity as reported under Canadian GAAP	78,074
IFRS adjustments increase (decrease)	
Deferred tax	69
Equity as reported under IFRS	78,143

Comprehensive income	Three months ended June 30, 2010 $	Six months ended June 30, 2010 $
As reported under Canadian GAAP	893	2,523
Increase (decrease) in net income for:		
Deferred tax	49	69
Share-based payments	(90)	(182)
As reported under IFRS	852	2,410

Accounting Policy Changes

The following discussion explains the significant differences between Strad's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters. For additional information regarding Strad's IFRS accounting policies see the Company's interim financial statements for the period ended March 31, 2011.

Share-based payments

Under previous GAAP, as a private company, Strad accounted for its stock-based compensation plans whereby the fair market value of option grants was determined using a volatility rate of 0% and an estimated forfeiture rate of 0% in the Black-Scholes pricing model.

IFRS does not provide for alternate accounting policies for private companies and requires the use of a volatility rate based on actual company trading history or the average of the volatility rates of its closest related peer group as well as the application of an estimated forfeiture rate. Accordingly, upon transition to IFRS, the Company recorded an adjustment of $498 thousand to increase contributed surplus to recognize the increase in share-based payments expense with the offset charged to deficit. The Company elected to use the IFRS 1 exemption whereby the share-based payment expense for options that had vested prior to January 1, 2010 were not required to be retrospectively restated. The application of IFRS for share-based payments resulted in a $90 thousand and $182 thousand decrease to the Company's previous GAAP net income for the three and six months ended June 30, 2010. Therefore, the total impact to deficit at June 30, 2010 was an increase of $680 thousand.

Intangible assets

Under previous GAAP, computer software was included as a part of property, plant and equipment. Under IFRS, computer software which is not an integral part of computer hardware is recorded as intangible assets instead of property, plant and equipment. Accordingly, upon transition to IFRS, the Company reclassified $0.3 million at December 31, 2010.

Income Taxes

Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and previous GAAP. For the three and six months ended June 30, 2010, the application of the IFRS adjustments discussed above resulted in a $49 thousand and $69 thousand decrease to the Company's deferred income tax expense and a corresponding increase to Strad's previous GAAP net income.

Under IFRS, all deferred tax assets and liabilities are required to be classed as long-term. Therefore, upon transition, an adjustment was made to reclassify the deferred tax asset of $2.4 million from current to long-term assets at January 1, 2010 and $0.7 million at December 31, 2010.

Future accounting pronouncements

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted. As of January 1, 2013, Strad will be required to adopt the following standards and amendments as issued by the IASB, which should not have a material impact on the Company's Consolidated Financial Statements.

- IFRS 9 – Financial Instruments, which is the result of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.
- IFRS 10 – Consolidated Financial Statements, which is the result of IASB's project to replace Standing Interpretations Committee 12 – Consolidation – Special Purpose Entities and the consolidation requirements of IAS 27 – Consolidated and Separate Financial Statements. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity.
- IFRS 11 – Joint Arrangements, which is the result of the IASB's project to replace IAS 31 – Interest in Joint Ventures. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted.
- IFRS 12 – Disclosure of Interest in Other Entities, which outlines the required disclosures for interest in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.
- IFRS 13 – Fair Value Measurement, which provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements.
- IAS 19 – Post Employment Benefits, which amends the recognition and measurement of defined benefit pension expense and expands disclosures for all employee benefit plans.

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 preceding discussion outlines the Company's significant accounting policies and practices adopted under IFRS. For additional information regarding Strad's critical accounting estimates, see the Company's interim financial statements for the period ended March 31, 2011.

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.

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, effective March 31, 2011, 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 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 six months ended June 30, 2011, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to have materially affected the Company's internal control 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.

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 western Canadian 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 rentals and 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.

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.

Environmental Legislation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial 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.

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 information contained in management's discussion and analysis of the Company's financial condition and results of the Company's operations constitute forward-looking statements. 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" below 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 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 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 previous GAAP 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 or previous GAAP measure. However, they should not be used as an alternative to IFRS or previous GAAP, 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 and previous GAAP. 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 plus interest, taxes, depreciation and amortization, non-controlling interest, other losses, loss on foreign exchange, less gain on foreign exchange and other gains. Segmented EBITDA is based upon the same calculation for defined business segments, which are comprised of Drilling Services, Production Services 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 first six months is calculated as annualized current period EBITDA divided by the average of total assets over Q4 2010 and Q1 2011. Annualized return on average total assets for the three months ended June 30, 2011 is calculated as annualized current period EBITDA divided by the averaged total assets over the prior quarter. The three month lag represents the time between the purchase of capital assets and when they are deployed in the field and earning revenue.

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.

Reconciliation of EBITDA and Funds from Operations

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

	Three Months Ended June 30, 2011 (unaudited)	Three Months Ended June 30, 2010 (unaudited)	Six Months Ended June 30, 2011 (unaudited)	Six Months Ended June 30, 2010 (unaudited)
Net income	3,557	852	5,144	2,410
Add:				
Depreciation and amortization	5,606	3,546	10,287	6,892
Gain on disposal of PP&E	(145)	(27)	(157)	(61)
Share-based payments	241	151	455	305
Non-controlling interest	(210)	(20)	333	194
Deferred income tax (recovery)	2,094	(393)	3,216	(591)
Interest expense	510	560	744	1,021
Funds from operations	11,653	4,669	20,022	10,170
Add:				
Loss on foreign exchange	325	185	595	314
Income tax expense	(417)	653	(397)	1,672
Subtotal	11,561	5,507	20,220	12,156
Deduct: Share-based payments	241	151	455	305
EBITDA	11,320	5,356	19,765	11,851

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

	Three months ended (unaudited)			
	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010 (1)	Sept. 30, 2010 (1)
Net income	3,557	1,587	2,579	2,323
Add:				
Depreciation and amortization	5,606	4,681	4,043	3,775
Accretion of Convertible Debenture	–	–	13	22
Gain on disposal of PP&E	(145)	(12)	(68)	–
(Gain)/Loss on foreign exchange	325	270	526	(195)
Non-controlling interest	(210)	543	76	445
Income tax expense/(recovery)	(417)	20	(522)	(1,455)
Deferred income tax expense/(recovery)	2,094	1,122	1,144	2,916
Interest expense	510	234	569	760
EBITDA	11,320	8,445	8,360	8,591

(1) 2010 amounts are presented in accordance with IFRS. 2009 amounts are presented in accordance with previous GAAP.

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

	Three months ended (unaudited)			
	Jun. 30, 2010 (1)	**Mar. 31, 2010 (1)**	**Dec. 31, 2009 (1)**	**Sept. 30, 2009 (1)**
Net income (loss)	852	1,558	(11,403)	(2,090)
Add:				
Depreciation and amortization	3,546	3,346	3,080	3,082
Impairment of goodwill	–	–	11,000	–
(Gain)/Loss on disposal of PP&E	(27)	(34)	90	(38)
(Gain)/Loss on foreign exchange	185	129	(245)	177
Non-controlling interest	(20)	214	–	–
Income tax expense/(recovery)	653	1,019	(15)	(608)
Deferred income tax recovery	(393)	(198)	(821)	(871)
Interest expense	560	461	424	434
EBITDA	5,356	6,495	2,110	86

(1) 2010 amounts are presented in accordance with IFRS. 2009 amounts are presented in accordance with previous GAAP.