MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“**MD&A**”) was prepared as of August 7, 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 and six months ended June 30, 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 and six months ended June 30, 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 June 30, 2013, may be found on the System for Electronic Document Analysis and Retrieval **(“SEDAR”)** at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Second quarter EBITDA(1) from continuing operations of $8.8 million decreased 19% compared to $10.9 million for the same period in 2012;

- Second quarter revenue from continuing operations of $49.6 million, a 9% decrease compared to $54.3 million for the same period in 2012;

- Strad’s U.S. Operations maintained an EBITDA(1) margin of 31% during the second quarter compared to 32% for the first quarter of 2013 and 26% for the second quarter of 2012;

- Capital additions totaled $5.3 million during the second quarter. Reported capital expenditures, net of $6.4 million rental asset disposals, were $(1.1) million during the second quarter and $1.6 million in the first half of 2013;

- Total funded debt (2) to trailing EBITDA ratio of 1.4 to 1 at the end of the second quarter of 2013; and

- Second quarter earnings per share from continuing operations of $nil, compared to $0.08 for the same period in 2012. Adjusted for additional depreciation expense of $1.5 million recognized during the second quarter to fully amortize assets that are no longer in use, earnings per share would otherwise be $0.03 for the second quarter of 2013.

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”.*

SECOND QUARTER FINANCIAL HIGHLIGHTS

	Three months ended June 30,			Six months ended June 30,		
	2013	2012	% Chg.	2013	2012	% Chg.
Revenue from continuing operations	49,576	54,304	(9)	94,299	110,605	(15)
EBITDA from continuing operations (1)	8,769	10,885	(19)	19,428	26,866	(28)
EBITDA as a % of revenue	18%	20%		21%	24%	
Per share ($), basic	0.24	0.30	(20)	0.53	0.73	(27)
Per share ($), diluted	0.23	0.29	(21)	0.52	0.71	(27)
Net income (loss) from continuing operations (2)	13	2,772	(100)	1,076	7,895	(86)
Per share ($), basic	—	0.08	(100)	0.03	0.22	(86)
Per share ($), diluted	—	0.07	(100)	0.03	0.21	(86)
Funds from continuing operations (3)	8,788	11,134	(21)	19,541	25,772	(24)
Per share ($), basic	0.24	0.30	(20)	0.53	0.70	(24)
Per share ($), diluted	0.24	0.29	(17)	0.52	0.68	(24)
Capital expenditures from continuing operations (4)	5,254	23,914	(78)	10,636	48,527	(78)
Dispositions of rental assets (5)	(6,361)	(613)	938	(9,078)	(1,866)	386
Net capital expenditures	(1,107)	23,301	(105)	1,558	46,661	(97)
Total assets	217,904	242,038	(10)	217,904	242,038	(10)
Return on average total assets (6)	15%	20%		17%	25%	
Long-term debt (7)	49,400	52,500	(6)	49,400	52,500	(6)
Total long-term liabilities	50,358	70,453	(29)	50,358	70,453	(29)
Common shares - end of period	37,251	37,251		37,251	37,251	
Weighted avg common shares						
Basic	36,533	36,714		36,533	36,714	
Diluted	37,327	37,768		37,334	37,679	

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 continuing 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) *Dispositions reported at net book value.*
(6) *Return on average total assets is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(7) *Excluding current portion.*

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of well-site infrastructure solutions, including Surface Equipment, Environmental and Access Matting, Solids Control and Waste Management, EcoPond™ (frac-water storage), Drill Pipe, 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 June 30, 2013, the Company has 31 operating locations throughout North America.

SECOND QUARTER RESULTS

Strad reported a decrease in revenue and EBITDA of 9% and 19%, respectively, during the three months ended June 30, 2013, compared to the same period in 2012. On a year-over-year basis, Strad continued to experience lower activity levels in the Marcellus and the Bakken regions due to low natural gas prices, decreased customer activity and increased competition and pricing pressure. In the WCSB region, Strad experienced lower year-over-year activity levels resulting from weather related delays in the post breakup seasonal recovery. These declines were partially offset by profit generated from product sales related to matting.

Strad's Canadian Operations reported lower revenue and EBITDA during the three months ended June 30, 2013, compared to the same period in 2012. Decreased revenue and EBITDA were a result of reduced drilling activity in the WCSB which impacted asset utilization and pricing when compared to the second quarter of 2012. During the second quarter, an extended breakup season and unusually wet weather in June resulted in a 14% year-over-year decline in drilling activity.

On a year-over-year basis, second quarter revenue and EBITDA results from Strad's U.S. Operations continued to be impacted by lower utilization levels in the Marcellus resource play in Pennsylvania. Overall rig counts in the Marcellus during the second quarter declined 28% from second quarter 2012 levels, resulting in relatively lower utilization rates and pricing for Strad's equipment and matting fleet. Pricing in the Marcellus region has been relatively consistent since the third quarter of 2012. Strad's U.S. Operations were also impacted by less favorable weather for the matting business as well as increased matting rental competition in North Dakota, which resulted in modest pricing pressure and utilization declines.Despite an 8% decline in revenue during the second quarter compared to the first quarter, Strad's U.S. Operations maintained EBITDA margins at 31% compared to 32% during the first quarter of 2013.

During the second quarter, capital expenditures, net of $5.5 million and $0.8 million in rental asset disposals, were $(1.9) million in Canada and $0.7 million in the U.S. Capital expenditures are reported net of the net book value of rental assets sold in the period. During the second quarter of 2013, Strad's Canadian Operations sold $3.7 million of net book value of SteelLock mats to an existing rental customer. Proceeds from the sale of these mats will be used to fund a portion of Strad's 2013 capital program. For the six months ended June 30, 2013, Strad has spent $10.6 million on a gross basis, or $1.6 million, net of $9.0 million in rental asset disposals, 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 second quarter deteriorated on a year-over-year basis due to the continued reduction in North American drilling activity. Lower drilling activity was largely a result of depressed natural gas pricing across North America, wet weather in Canada, as well as oil transportation bottlenecks in the WCSB, which has impacted cash flow and access to capital for many participants in the Canadian Exploration & Production ("E&P") sector.

In the WCSB, active drilling rigs in the second quarter of 2013 averaged 152 compared with 177 for the same period in 2012, a 14% decline. In the U.S., drilling rig activity levels varied by region, with the total active U.S. rig count declining by 11% on a year-over-year basis. The majority of Strad's U.S. fleet operates in the Bakken and Marcellus resource plays, which were also subject to reduced drilling activity. The active rig count in the Bakken averaged 188 rigs in the second quarter of 2013, down 13% from 217 in the prior year period. In the gas-weighted Marcellus play, the active rig count averaged 79 during the second quarter of 2013, down 28% from 110 in the prior year period. On a sequential basis, rig counts in the Bakken and Marcellus declined 3% and 13%, respectively.

In Canada, industry activity was impacted by a prolonged spring breakup that coincided with abnormally wet weather conditions. Wet weather not only reduced overall Canadian drilling activity, but also adversely impacted Strad's matting business, with many customers determining that conditions were too wet even for matting based operations. Despite this, Strad's matting utilization levels increased this quarter, as the Company was able to sell a lower return component of its matting fleet, thereby reducing its amount of idle inventory. The Company plans to subsequently redeploy this revenue into higher rental return assets during the remainder of 2013. Looking ahead, Management anticipates generally positive Canadian industry conditions for the duration of the year and is engaged in the process of bidding on an increased number of projects with broader scopes than it has in preceding quarters.

In Strad's U.S. business, the Company was successful in maintaining 30% EBITDA margins during the second quarter, despite increased pricing pressure in the Bakken. These margins remain in line with those set last quarter following the successful restructuring of Strad's U.S. cost base. Management expects U.S. margins to normalize at or near these levels by year-end, although current activity and planned investment in field sales staff may modestly impact margins in the third quarter. With overall U.S. industry activity remaining relatively unchanged on a quarter-over-quarter basis, Strad remains confident in the current size and scope of its U.S. fleet. Should industry conditions increase to more robust levels, the Company remains poised to grow without adding significant cost to its U.S. operations.

During the second quarter capital expenditures, net of $6.4 million in rental asset disposals, totaled $(1.1) million. The majority of the $5.3 million in new capital purchases was deployed in Canada. This represented a year-over-year decline of 77%, which is the result of significant investment made to Strad's fleet during 2012. As well, capital spending during the first half of 2013 has been focused on specific opportunities to ensure Strad has the flexibility to execute on larger scope projects. Strad intends to continue its practice of applying cash from operations towards a combination of capital expenditures and debt reduction on a quarter-by-quarter basis. Management believes that this disciplined approach to cash flow allocation will continue to enable Strad to selectively target key areas for growth, maintain its current dividend, and reduce its overall debt levels during 2013.

While Strad maintains a positive outlook for the balance of 2013, management remains aware of the persistent uncertainty that continues to characterize the North American E&P sector. Given this reality, Strad remains focused on maintaining a balanced approach to forward planning, where near-term caution does not compromise long-term growth prospects. Management continues to believe in the resiliency of Strad's flexible business model as well as the long-term potential inherent in its targeted North American markets.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2013**	**2012**	**% chg.**	**2013**	**2012**	**% chg.**
Revenue	14,331	15,625	(8)	32,073	37,451	(14)
EBITDA [(1)]	2,667	4,153	(36)	7,459	11,526	(35)
EBITDA %	19%	27%		23%	31%	
Capital expenditures from cont. operations [(2)]	3,656	7,847	(53)	6,419	19,407	(67)
Dispositions of rental assets [(3)]	(5,539)	(327)	1,594	(8,105)	(1,525)	431
Net capital expenditures	(1,883)	7,520	(125)	(1,686)	17,882	(109)
Gross capital assets	101,983	99,812	2	101,983	99,812	2
Total assets	102,833	107,421	(4)	102,833	107,421	(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 sales.

(3) Dispositions reported at net book value.

Revenue generated for the three months ended June 30, 2013, decreased 8% to $14.3 million versus $15.6 million for the same period in 2012. Second quarter 2013 revenue was impacted by a longer spring breakup and unusually wet weather conditions in June compared to the second quarter of 2012. Under normal conditions, wet weather typically results in higher matting utilization; however, unusually wet weather in June resulted in delayed matting deployments, as road bans limited drill site access. As a result, drilling activity averaged 14% below 2012 levels during the second quarter of 2013 resulting in decreased surface equipment, matting and drill pipe rental revenue compared to the second quarter of 2012.

Second quarter revenue was also impacted by a decline in Strad's Canadian Operations matting rental fleet due to sales of used SteelLock mats to existing customers. Proceeds generated on the sale of SteelLock mats will be allocated to other assets with a higher rental return profile during the second half of 2013.

Revenue generated for the six months ended June 30, 2013, decreased 14% to $32.1 million compared to $37.5 million for the same period in 2012. Lower drilling activity levels are the main driver of year-over-year revenue declines.

EBITDA for the three months ended June 30, 2013, of $2.7 million, decreased 36%, compared to $4.2 million for the same period in 2012. EBITDA as a percentage of revenue for the three months ended June 30, 2013, was 19% compared to 27% for the same period in 2012. This decrease was primarily due to lower rental revenue.

EBITDA for the six months ended June 30, 2013, decreased 35% to $7.5 million compared to $11.5 million for the same period in 2012. Decreased EBITDA was a result of lower rental revenue during the first six months of 2013 compared to the same period in 2012. EBITDA as a percentage of revenue for the six months ended June 30, 2013, was 23% compared to 31% for the same period in 2012.

U.S. Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2013**	**2012**	**% chg.**	**2013**	**2012**	**% chg.**
Revenue	12,783	19,939	(36)	26,762	40,851	(34)
EBITDA (1)	3,916	5,157	(24)	8,421	12,605	(33)
EBITDA %	31%	26%		31%	31%	
Capital expenditures from cont. operations (2)	1,498	15,545	(90)	3,798	28,425	(87)
Dispositions of rental assets (3)	(821)	(286)	187	(973)	(341)	185
Net capital expenditures	677	15,259	(96)	2,825	28,084	(90)
Gross capital assets	105,269	105,674	—	105,269	105,674	—
Total assets	110,233	123,554	(11)	110,233	123,554	(11)

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 sales.*

(3) *Dispositions reported at net book value.*

Revenue for the three months ended June 30, 2013, decreased 36% to $12.8 million from $19.9 million for the same period in 2012. Year-over-year revenue declines continue to be the result of lower drilling activity in the U.S., specifically in the Marcellus and Bakken resource plays, where rig counts declined 28% and 13%, respectively, from second quarter 2012 levels. Decreased rig counts have resulted in increased competition in both resource plays, which caused lower surface equipment and matting utilization as well as pricing pressure relative to 2012. The Bakken continued to be the most active resource play for Strad's U.S. Operations, generating 70% of total U.S. revenue.

Revenue for the six months ended June 30, 2013, decreased 34% to $26.8 million from $40.9 million for the same period in 2012. The decrease in revenue year-over-year was due to the same activity related factors impacting the second quarter results in comparative periods.

EBITDA for the three months ended June 30, 2013, decreased 24% to $3.9 million compared to $5.2 million for the same period in 2012. The decrease in EBITDA was due to the previously mentioned reduction in overall asset utilization rates and pricing pressure in the Marcellus and Bakken resource plays, offset by a shift in product mix during the quarter. EBITDA as a percentage of revenue for the three months ended June 30, 2013, was 31% compared to 26% for the same period in 2012. EBITDA as a percentage of revenue has remained consistent with the first quarter of 2013 due to the ongoing success of management's restructuring plan, which re-aligned the U.S. Operations cost structure with current market conditions.

EBITDA for the six months ended June 30, 2013, decreased 33% to $8.4 million compared to $12.6 million for the same period in 2012. The decrease is consistent with utilization and revenue declines discussed previously. EBITDA as a percentage of revenue for the six months ended June 30, 2013, remained consistent at 31% in comparison to the same period in 2012.

Product Sales

($000's)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	% chg.	2013	2012	% chg.
Revenue	22,462	18,740	20	35,464	32,303	10
EBITDA (1)	3,010	2,517	20	5,362	4,556	18
EBITDA %	13%	13%		15%	14%	
Capital expenditures (2)	—	475	(100)	203	647	(69)
Total assets	1,099	6,162	(82)	1,099	6,162	(82)

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.*

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

Revenue for the three months ended June 30, 2013, increased 20% to $22.5 million from $18.7 million for the same period in 2012, resulting primarily from higher matting and drill pipe sales. During the second quarter, Product Sales consisted of $5.5 million of in-house manufactured products and $17.0 million of third party equipment and rental fleet sales to existing customers compared to $9.2 million and $9.5 million, respectively, during the same period in 2012. Increased matting sales in the second quarter of 2013 were due to the sale of a portion of Strad's Canadian Operations SteelLock matting fleet to an existing customer. Proceeds generated from the sale will be allocated to other higher rental return assets in Canada and the U.S.

Revenue for the six months ended June 30, 2013, increased 10% to $35.5 million from $32.3 million for the same period in 2012. Increased matting sales during the second quarter were the primary driver of year-over-year revenue increases. Matting sales during the first six months of 2013 consisted of both third party mat sales and sales of Strad's Canadian Operations rental fleet to existing customers.

EBITDA for the three months ended June 30, 2013, of $3.0 million increased by 20% compared to $2.5 million for the same period in 2012. The increase in EBITDA was due to higher Product Sales during the second quarter of 2013. EBITDA as a percentage of revenue for the three months ended June 30, 2013, remained consistent with the same period in 2012 at 13%. EBITDA as a percentage of revenue tends to vary from quarter-over-quarter depending on the mix of sales, as realized margins on third party equipment sales and sales of equipment from Strad's existing fleet fluctuate more compared to sales of in-house manufactured products.

EBITDA for the six months ended June 30, 2013, of $5.4 million, increased by 18% compared with $4.6 million for the same period in 2012. EBITDA as a percentage of revenue for the six months ended June 30, 2013, increased to 15% from 14% during the same period in 2012.

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 the associated costs of operating a public company. Corporate costs for the three months ended June 30, 2013, were $0.8 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 June 30, 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 $8.8 million for the three months ended June 30, 2013, compared to $7.0 million for the same period in 2012. Capital additions of $67.2 million during 2012, as well as $1.5 million in additional depreciation expense to fully amortize assets that are no longer in use, both contributed to increased depreciation and amortization for the most recent period.

Interest and Finance Fees

Interest expense from continuing operations totaled $0.8 million for the three months ended June 30, 2013, compared to $0.6 million for the same period in 2012. The increase in interest expense was due to increased interest rates resulting from a higher funded debt to EBITDA ratio. The funded debt to EBITDA ratio at June 30, 2013, was 1.4 compared to 1.0 for the same period in 2012. Average funded debt for the three months ended June 30, 2013 was $60.8 million compared to $64.6 million for the same period in 2012.

Finance fees from continuing operations for the three months ended June 30, 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 June 30, 2013, was $18 thousand compared to $32 thousand 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 3% against the U.S. dollar over the past year (1 CAD = 0.95 USD at June 30, 2013, compared to 1 CAD = 0.98 USD at June 30, 2012).

Income Taxes

For the three months ended June 30, 2013, the Company incurred a loss before income taxes, non-controlling interest and discontinued operations of $1.0 million, incurred current income tax expense of $94 thousand and deferred tax recovery of $1.1 million from continuing operations, compared to a current tax recovery of $0.1 million and a deferred income tax expense of $0.7 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 (61)% for the six months ended June 30, 2013, compared to 32% for the same period in 2012. The low effective tax rate is due to recoveries of income tax due to incremental deductions that were material in the context of modest levels of pre-tax net income.

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 June 30, 2013, the Company recorded income of $nil, net of tax, from discontinued operations compared to income of $0.7 million for the same period in 2012.

Non-Controlling Interest

For the three months ended June 30, 2013, non-controlling interest was $nil compared to a loss of $0.2 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

($000's, except per share amounts)	Three months ended (unaudited) Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012	Sept. 30, 2012
Revenue from continuing operations	49,576	44,723	41,465	51,094
EBITDA from continuing operations[1]	8,769	10,659	7,675	12,030
Net income (loss) from continuing operations	13	1,063	(3,490)	2,937
Per share ($), basic	—	0.03	(0.10)	0.08
Per share ($), diluted	—	0.03	(0.09)	0.08

($000's, except per share amounts)	Three months ended (unaudited) Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Revenue from continuing operations	54,304	56,301	62,098	62,675
EBITDA from continuing operations[1]	10,885	15,981	17,169	17,484
Net income from continuing operations	2,772	5,123	7,661	7,325
Per share ($), basic	0.08	0.14	0.21	0.20
Per share ($), diluted	0.07	0.14	0.21	0.20

Notes:

(1) *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately half of Strad's gross capital assets are located in the U.S. The 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)	June 30, 2013	March 31, 2013
Current assets	50,466	50,532
Current liabilities	30,961	31,389
Working capital[1]	19,505	19,143
Banking facilities		
Operating facility	2,847	3,166
Syndicated revolving facility	49,400	55,500
Total facility borrowings	52,247	58,666
Total available facilities	110,000	110,000
Unused borrowing capacity	57,753	51,334

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

At June 30, 2013, working capital was $19.5 million compared to $19.1 million at March 31, 2013. The change in working capital is consistent with the modest increase in revenue from the first quarter to the second quarter of 2013. Funds from operations for the three months ended June 30, 2013, decreased to $8.8 million compared to $10.8 million for the three months ended March 31, 2013. Capital expenditures from continuing operations totaled $5.3 million and $5.4 million for the three months ended June 30, 2013 and March 31, 2013, respectively and were offset by $6.4 million and $2.7 million of rental asset sales during the same periods. Management used funds from operations and proceeds from Product Sales to repay a portion of Strad's total facility borrowing during the second quarter of 2013. 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. On July 18, 2013, the Company amended its syndicated credit facility, extending the maturity date from July 25, 2015 to July 25, 2016.

Based on the Company's funded debt to EBITDA ratio of 1.4 to 1 at the end of the second 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 June 30, 2013, the overall effective rates on the operating facility and revolving facility were 4.11% and 3.44%, respectively. As of June 30, 2013, $2.8 million was drawn on the operating facility and $49.4 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at June 30, 2013, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at June 30, 2013, were as follows:

($000's)	Total	1 Year or Less	2-3 Years	4-5 Years
Finance leases	3,793	1,873	1,703	217
Operating leases	13,217	3,492	4,998	4,727
Total commitments	17,010	5,365	6,701	4,944

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

OUTSTANDING COMPANY SHARE DATA

	As of July 30, 2013 *(unaudited)*
Common shares – voting	37,251,301
Options	2,335,834
Fully diluted common shares	39,587,135

OFF BALANCE SHEET ARRANGEMENTS

At June 30, 2013, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Loans to key management

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

	As at June 30, 2013	**As at December 31, 2012**
Opening balance	$ 1,845	$ 1,157
Share purchase loans issued	—	772
Repayment of share purchase loan	(100)	(101)
Interest charged	11	17
Interest paid	(13)	—
	1,743	1,845

Certain key management personnel and a director have loans totaling $1.7 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 June 30, 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 June 30, 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 $9 thousand (2012 - $47 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 21.

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 June 30, 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 six months ended June 30, 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.

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 breakup 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 13% 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.

RESPONSIBILITY OF 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.

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.

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 and share-based payments. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities. Working capital, cash forecasting and banking facilities are used by Management to ensure funds are available to finance growth opportunities.

Annualized return on average total assets for the six months ended June 30, 2013, is calculated as annualized year-to-date EBITDA divided by the average of total assets over the fourth quarter of 2012 and first quarter of 2013, 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.

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 June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net income from continuing operations	13	2,772	1,076	7,895
Add:				
Depreciation and amortization	8,824	7,003	16,450	13,256
Loss/(gain) on disposal of PP&E	76	(11)	662	24
Loss on disposal of assets held for sale	17	—	175	—
Non-controlling interest	—	(187)	—	333
Share-based payments	95	113	283	362
Deferred income tax (recovery)/expense	(1,099)	748	(753)	2,704
Financing fees	71	58	143	116
Interest expense	791	638	1,505	1,082
Funds from operations	8,788	11,134	19,541	25,772
Add:				
(Gain)/loss on foreign exchange	(18)	(32)	(139)	369
Current income tax expense/(recovery)	94	(104)	309	1,087
Subtotal	8,864	10,998	19,711	27,228
Deduct:				
Share-based payments	95	113	283	362
EBITDA	8,769	10,885	19,428	26,866

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

	Three months ended (unaudited)			
	June 30, 2013	March 31, 2013	December 31, 2012	September 31, 2012
Net income/(loss) from cont. operations	13	1,063	(3,490)	2,937
Add:				
Depreciation and amortization	8,824	7,626	7,667	7,362
Loss on disposal of PP&E	76	586	226	22
Loss on disposal of assets held for sale	17	158	—	—
(Gain)/loss on foreign exchange	(18)	(121)	(195)	510
Non-controlling Interest	—	—	—	22
Current income tax expense/(recovery)	94	216	(13)	788
Deferred income tax (recovery)/expense	(1,099)	345	(3,804)	(528)
Interest Expense	791	714	739	854
Restructuring expense	—	—	4,129	—
Impairment loss	—	—	2,350	—
Finance fees	71	72	66	63
EBITDA	8,769	10,659	7,675	12,030
Communications operating loss	—	—	679	610
EBITDA (Adjusted)	8,769	10,659	8,354	12,640

	Three months ended (unaudited)			
	June 30, 2012	**March 31, 2012**	**December 31, 2011**	**September 31, 2011**
Net income from cont. operations	2,772	5,123	7,661	7,325
Add:				
Depreciation and amortization	7,003	6,253	5,713	5,214
(Gain)/loss on disposal of PP&E	(11)	35	(96)	52
(Gain)/loss on foreign exchange	(32)	401	52	(915)
Non-controlling Interest	(187)	520	543	497
Current income tax (recovery)/expense	(104)	1,191	1,177	2,074
Deferred income tax expense	748	1,956	1,499	2,749
Interest Expense	638	444	620	457
Finance fees	58	58	—	31
EBITDA	10,885	15,981	17,169	17,484
Communications operating loss	556	167	213	179
EBITDA (Adjusted)	11,441	16,148	17,382	17,663