MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of May 7, 2014, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company")**. This MD&A discusses the operating and financial results for the three months ended March 31, 2014, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Strad for the three months ended March 31, 2014, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2013. Strad's financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY". All amounts are stated in Canadian Dollars unless otherwise noted.

Additional information relating to Strad for the three months ended March 31, 2014, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- First quarter EBITDA[(1)] of $11.0 million increased 3% compared to $10.7 million for the same period in 2013;
- First quarter revenue of $51.9 million, a 16% increase compared to $44.7 million for the same period in 2013;
- Capital additions totaled $8.9 million during the first quarter. Reported capital expenditures, net of $0.5 million rental asset disposals, were $8.4 million during the quarter;
- Total funded debt [(2)] to twelve month trailing EBITDA ratio of 1.1 to 1 at the end of the first quarter of 2014;
- First quarter earnings per share of $0.11 compared to $0.03 for the same period in 2013;
- The quarterly dividend payable to shareholders of record on June 30, 2014, will be 7.0 cents per share, a 27% increase from the previous quarterly dividend of 5.5 cents per share; and
- Strad has approved a total of $25.0 million in budgeted capital spending for 2014.

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 long-term debt plus current and long-term obligations under finance lease less cash. EBITDA is based on trailing twelve months. See "Non-IFRS Measures Reconciliation".*

FIRST QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended March 31,		
	2014	2013	% Chg.
Revenue	51,888	44,723	16
EBITDA [1]	10,988	10,659	3
EBITDA as a % of revenue	21%	24%	
Per share ($), basic	0.30	0.29	3
Per share ($), diluted	0.29	0.29	—
Net income	4,141	1,063	290
Per share ($), basic	0.11	0.03	267
Per share ($), diluted	0.11	0.03	267
Funds from operations [2]	10,533	10,752	(2)
Per share ($), basic	0.29	0.29	—
Per share ($), diluted	0.28	0.29	(3)
Capital expenditures	8,902	5,912	51
Dispositions of rental assets [3]	(497)	(3,247)	(85)
Net capital expenditures [4]	8,405	2,665	215
Total assets	224,010	226,563	(1)
Return on average total assets [5]	21%	18%	
Long-term debt	38,400	55,500	(31)
Total long-term liabilities	48,077	66,729	(28)
Common shares - end of period ('000's)	37,253	37,251	
Weighted avg common shares ('000's)			
Basic	36,730	36,533	
Diluted	37,476	37,344	

Notes:

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

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

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

(4) *Includes assets acquired under finance lease and purchases of intangible assets. Net capital expenditures are net of rental asset disposals.*

(5) *Return on average total assets is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of well-site and energy 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 as well as exposure to energy infrastructure projects including oilsands pipelines and power transmission. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin ("WCSB") into resource plays in the United States ("U.S."), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, and selected areas within the western United States Rockies. As of March 31, 2014, the Company has 28 operating locations throughout North America.

FIRST QUARTER RESULTS

Strad reported an increase in revenue and EBITDA of 16% and 3%, respectively, during the three months ended March 31, 2014, compared to the same period in 2013. Increased revenue during the first quarter was a result of higher utilization and product sales compared to the prior year. In the WCSB region, drilling rig activity increased at a quicker pace early in the quarter compared to 2013 and averaged 5% higher during the first quarter in 2014. Despite higher revenue during the first quarter, EBITDA as a percentage of revenue declined to 21% compared to 24% in 2013. EBITDA margins were impacted by a number of factors including cold weather conditions in the WCSB during March, which delayed the deployment of Strad's matting fleet, and higher trucking and service costs.

Strad's Canadian Operations reported higher revenue and EBITDA during the three months ended March 31, 2014, compared to the same period in 2013. Increased revenue was a result of a larger rental asset base and higher drilling activity in the WCSB during the quarter, which resulted in higher utilization of Strad's Canadian drill pipe and surface equipment fleets. Cold weather conditions in March delayed the typical seasonal deployment of Strad's matting fleet, which had an impact on product mix during the quarter.

During the first quarter, rig counts in Strad's targeted U.S. resource plays remained similar to levels in the first quarter of 2013. Rig counts in the Bakken declined by 5% year-over-year, offset by a 7% rig count increase in the Rockies region, while the Marcellus remained flat at an average of 122 active drilling rigs. Overall, Strad's U.S. operations reported higher revenue and lower EBITDA during the first quarter of 2014 compared to the prior year. EBITDA as a percentage of revenue declined from 32% to 24% year-over-year, due to a shift in product and revenue type mix. During the first quarter of 2014, product mix shifted from higher margin drill pipe rental revenue to lower margin solids control rental revenue.

During the first quarter, capital expenditures were \$6.5 million in Canada and \$1.9 million in the U.S., net of \$0.3 million and \$0.2 million in rental asset disposals. Capital expenditures are reported net of the net book value of rental assets sold in the period. Strad has spent \$8.9 million on a gross basis, or \$8.4 million, net of \$0.5 million in rental asset disposals, of its budgeted \$17.0 million first half of 2014 capital program. Strad has to date approved a further \$8.0 million in budgeted capital for the balance of the year. The Company continues to invest in equipment which is in high demand in both Canada and the U.S.

OUTLOOK

Industry conditions during the first quarter were slightly improved on a year-over-year basis in Canada, whereas overall drilling activity in Strad's U.S. operating regions was either flat or slightly down from the prior year. Although growth in the WCSB was limited, driven by a continuation of broader constraints relating to oil transportation bottlenecks, producer cash flows continue to be supported by crude oil and natural gas prices that have strengthened year-over-year. Activity increases have also been supported by early stage activity related to delineation of Liquified Natural Gas ("LNG") projects. Strad continued to participate in this activity increase with multi-well equipment packages deployed to key customers in northeast British Columbia through the first quarter. U.S. drilling activity in Strad's Bakken and Marcellus regions has been impacted by the ongoing maturation and increased drilling efficiency of the Bakken, as well as natural gas prices, which despite recent increases, have not yet been sustained at levels to spur a significant increase in Marcellus activity. However, initial signs of activity increases in the Marcellus region continued to be evident in the first quarter.

In the WCSB, active drilling rigs in the first quarter of 2014 remained relatively level, averaging 521 compared with 496 for the same period in 2013. In the United States, drilling rig activity continued to vary by region, with the total active U.S. rig count in Q1 2014 declining by 2% on a year-over-year basis. The majority of Strad's U.S. fleet continues to operate in the Bakken and Marcellus resource plays. The active rig count in the Bakken averaged 180 rigs in the first quarter of 2014, down from 191 in the prior year period. In the gas-weighted Marcellus play, the active rig count, including the Utica play, averaged 122 rigs during the first quarter of 2014, consistent with the prior year period.

Bakken operations are also in close proximity to the Rockies region, consisting of Colorado, Wyoming and Utah, where an average of 139 rigs were drilling during the first quarter, up from 130 rigs in the prior year. Both the Utica Shale and Rockies region represent platforms to grow utilization of rental assets from existing operating regions. In addition to drilling activity, the long-term build out of LNG infrastructure in Canada could result in increased demand for Strad's products and services.

The fundamentals for Strad's rental business continue to be sound with commodity prices supporting capital spending by producers along with the associated drilling activity. Oilsands and energy infrastructure investment are also expected to increasingly drive results over the upcoming years and will provide stability of demand through commodity price cycles.

Strad remains focused on improving operational efficiency, maximizing utilization on its existing asset base and disciplined deployment of capital targeted at opportunities in select areas such as matting in Canada and the Marcellus, solids control in the Bakken, and rental assets deployed to LNG related drilling activity in Canada. Strad remains on track with respect to its $17.0 million capital program for the first half of 2014. Strad has to date approved a further $8.0 million in budgeted capital for the balance of the year. The Company's free cash flow and financial position provide Strad with significant flexibility to pursue additional opportunities in the second half of the year.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended March 31,		
($000's)	**2014**	**2013**	**% chg.**
Revenue	21,384	17,742	21
EBITDA (1)	5,604	4,794	17
EBITDA as a % of revenue	26%	27%	
Capital expenditures	6,792	2,587	163
Dispositions of rental assets (2)	(300)	(2,390)	(87)
Net capital expenditures (3)	6,492	197	3,195
Gross capital assets	111,306	108,199	3
Total assets	113,476	108,133	5

Notes:

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

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

(3) *Includes assets acquired under finance lease and purchases of intangible assets. Net capital expenditures are net of rental asset sales.*

Revenue generated for the three months ended March 31, 2014, was $21.4 million, a 21% increase compared to $17.7 million for the same period in 2013. Increased revenue during the quarter was a result of a larger rental asset base and higher drilling activity in the WCSB, which resulted in higher utilization of Strad's Canadian drill pipe and surface equipment fleets. First quarter revenue was also impacted by higher matting service and trucking revenue. The increase in matting service revenue is a result of Strad performing more service only work for customers who predominantly own their matting fleets and source new matting purchases from Strad. Trucking revenue increased during the quarter due to the increased use of third party transport suppliers to move Strad's equipment throughout the WCSB. However, lower matting rental revenue partially offset the overall revenue increase due to colder weather conditions late in the quarter, which delayed the typical seasonal deployment of Strad's matting fleet compared to the same period in 2013.

EBITDA for the three months ended March 31, 2014, of $5.6 million, increased 17%, compared to $4.8 million for the same period in 2013. EBITDA as a percentage of revenue for the three months ended March 31, 2014, was 26% compared to 27% for the same period in 2013.

U.S. Operations

($000's)	Three months ended March 31, 2014	2013	% chg.
Revenue	14,851	13,979	6
EBITDA (1)	3,605	4,506	(20)
EBITDA as a % of revenue	24%	32%	
Capital expenditures	2,077	3,005	(31)
Dispositions of rental assets (2)	(196)	(857)	(77)
Net capital expenditures (3)	1,881	2,148	(12)
Gross capital assets	111,581	106,014	5
Total assets	107,933	112,512	(4)

Notes:

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

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

(3) *Includes assets acquired under finance lease and purchases of intangible assets. Net capital expenditures are net of rental asset sales.*

Revenue for the three months ended March 31, 2014, increased 6% to $14.9 million from $14.0 million for the same period in 2013. Increased revenue during the quarter was due to higher utilization of Strad's surface equipment and matting rental fleets compared to the prior year. During the first quarter, rig counts decreased by 5% in the Bakken, increased by 7% in the Rockies and remained relatively flat in the Marcellus compared to the same period in 2013. Year-over-year, competition and pricing pressure continued in the Bakken, which impacted first quarter results, but was offset by market share gains in the Marcellus resulting from an increased field sales presence compared to the prior year. The Bakken continues to be the most active basin for Strad's U.S. Operations, accounting for 49% of total revenue during the quarter.

EBITDA for the three months ended March 31, 2014, decreased 20% to $3.6 million compared to $4.5 million for the same period in 2013. EBITDA as a percentage of revenue for the three months ended March 31, 2014, was 24% compared to 32% for the same period in 2013. The decrease in both EBITDA and EBITDA as a percentage of revenue, despite the year-over-year increase in revenue, is due to a shift in product mix during the quarter from high margin drill pipe rental revenue to lower margin solids control rental revenue. In addition to the product mix shift, Strad also incurred increased trucking expenses during the first quarter as a result of transferring equipment to a higher utilization environment in the Marcellus region from other regions in the U.S. and Canada.

Product Sales

($000's)	Three months ended March 31, 2014	2013	% chg.
Revenue	15,653	13,002	20
EBITDA (1)	2,719	2,352	16
EBITDA as a % of revenue	17%	18%	
Capital expenditures (2)	—	203	(100)
Total assets	658	1,724	(62)

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.

Revenue for the three months ended March 31, 2014, increased 20% to $15.7 million from $13.0 million for the same period in 2013, resulting primarily from higher in-house manufactured product and third party equipment sales offset by lower used equipment sales. During the first quarter, Product Sales consisted of $8.5 million of in-house manufactured products, $6.5 million of third party equipment sales and $0.7 million of rental fleet sales compared to $6.9 million, $1.9 million and $4.2 million, respectively, during the same period in 2013. Manufactured product sales increased due to a significant matting order from an existing customer. Third party equipment sales increased year-over-year due to more wood access mat sales, which are dependent on the timing of capital spending by Strad's customers. Sales of Strad's rental fleet equipment fluctuate quarter-over-quarter and are primarily dependent on strategic opportunities to monetize underutilized rental assets.

EBITDA for the three months ended March 31, 2014, of $2.7 million increased by 16% compared to $2.4 million for the same period in 2013. The increase in EBITDA was due to higher sales revenue during the first quarter of 2014 compared to the same period in the prior year. EBITDA as a percentage of revenue for the three months ended March 31, 2014, decreased to 17% compared to 18% for the same period in 2013. EBITDA as a percentage of revenue tends to vary 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.

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 and general corporate costs. Corporate costs for the three months ended March 31, 2014, were $0.9 million as compared to $1.0 million for the same period in 2013. Corporate costs as a percentage of total revenue during the three months ended March 31, 2014, remained consistent with the same period in the prior year at 2%.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets decreased to $5.5 million for the three months ended March 31, 2014, compared to $7.6 million for the same period in 2013. The decrease is due to management's adjustment of useful life and residual value estimates used in the calculation of depreciation expense. Management completed a comprehensive review of the Company's useful life and residual value estimates for assets in each product line included in property, plant and equipment during the fourth quarter of 2013.

Interest and Finance Fees

Interest expense totaled $0.5 million for the three months ended March 31, 2014, compared to $0.7 million for the same period in 2013. Average funded debt for the three months ended March 31, 2014, was $45.7 million compared to $67.1 million for the same period in 2013. Interest expense for the quarter was lower due to lower average borrowing levels in 2014 compared to 2013.

Finance fees for the three months ended March 31, 2014, remained consistent with 2013 at $0.1 million. Financing fees are costs incurred to secure debt financing.

Gain on Foreign Exchange

Gain on foreign exchange for the three months ended March 31, 2014, was $0.1 million compared to $0.1 million for the same period in 2013. 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 8% against the U.S. dollar over the past year (1 CAD = 0.90 USD at March 31, 2014, compared to 1 CAD = 0.98 USD at March 31, 2013).

Income Taxes

For the three months ended March 31, 2014, the Company earned income before income taxes of $5.7 million, incurred current income tax expense of $0.7 million and deferred tax expense of $0.8 million, compared to a current tax expense of $0.2 million and a deferred income tax expense of $0.3 million for the same period in 2013. 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 26% for the three months ended March 31, 2014, compared to 35% for the same period in 2013. The low effective tax rate is due to Canadian sourced income making up a larger proportion of taxable income during the first quarter in 2014 compared to the same period in 2013.

Reclassification of Selling, General and Administration Costs

During the first quarter of 2014, management completed a comprehensive review of the Company's definition of selling, general and administration expenses. The review gave consideration to employees who were previously classified in selling, general and administration and the job functions those individuals were performing for the Company. As a result of this review, management determined that a portion of these employees perform functions which are more closely related to the operations of the business and reclassified the respective costs to operating expenses in the current year. Management believes the reclassification of selling, general and administration costs to operating expenses will provide more reliable and relevant information regarding the effects of transactions on the Company's financial performance. In order to maintain comparability between the current quarter and the prior year, management reclassified $2.5 million of selling, general and administrative costs to operating expenses for the three months ended March 31, 2013.

SUMMARY OF QUARTERLY RESULTS

	Three months ended (unaudited)			
($000's, except per share amounts)	**Mar 31, 2014**	**Dec 31, 2013**	**Sept 30, 2013**	**Jun 30, 2013**
Revenue	51,888	47,850	47,425	49,576
EBITDA (1)	10,988	10,678	10,422	8,769
Net income	4,141	1,923	2,373	13
Per share ($), basic	0.11	0.05	0.07	—
Per share ($), diluted	0.11	0.05	0.06	—

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

Notes:

(1) *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(2) *Net income (loss) from continuing operations, attributable to owner's of the parent.*

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 seasonal reduction in drilling activity that the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters. Strad invests strategically in its asset base so the deployment of new equipment can coincide with higher levels of sustained activity in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	March 31, 2014	December 31, 2013
Current assets	54,687	43,519
Current liabilities	43,862	32,004
Working capital[(1)]	10,825	11,515
Banking facilities		
Operating facility	4,448	1,879
Syndicated revolving facility	38,400	38,500
Total facility borrowings	42,848	40,379
Total credit facilities [(2)]	110,000	110,000
Unused credit capacity	67,152	69,621

Notes:

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

(2) Facilities are subject to certain limitations on accounts receivable, inventory, and net book value of fixed assets and are secured by a general security agreement over the Company's assets. As at March 31, 2014, Strad had access to the full $110 million credit facility.

At March 31, 2014, working capital was $10.8 million compared to $11.5 million at December 31, 2013. The change in current assets is consistent with the increase in revenue from the fourth quarter of 2013 to the first quarter of 2014. The increase in current liabilities is due to increased activity levels during the first quarter compared to the fourth quarter of 2013.

Funds from operations for the three months ended March 31, 2014, increased to $10.5 million compared to $10.4 million for the three months ended December 31, 2013. Capital expenditures totaled $8.9 million for the three months ended March 31, 2014, and $9.5 million for the three months ended December 31, 2013. Capital expenditures were offset by asset disposals totaling $0.5 million in the first quarter of 2014 compared to $1.6 million during the fourth quarter of 2013. Strad's total facility borrowing increased by $2.5 million during the first quarter of 2014 due to an increase in the asset base from growth in working capital and growth in the rental fleet. 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. The Company's syndicated banking facility matures on July 25, 2016.

Based on the Company's funded debt to twelve month trailing EBITDA ratio of 1.1 to 1 at the end of the first quarter of 2014, the interest rate on the syndicated banking facility is bank prime plus 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. For the three months ended March 31, 2014, the overall effective rates on the operating facility and revolving facility were 4.20% and 3.48%, respectively. As of March 31, 2014, $4.4 million was drawn on the operating facility and $38.4 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at March 31, 2014, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company’s contractual obligations as at March 31, 2014, were as follows:

($000’s)	**Total**	**1 Year or Less**	**2-3 Years**	**4+ Years**
Finance leases	2,281	1,211	1,038	32
Operating leases	20,590	5,039	7,130	8,421
Total commitments	22,871	6,250	8,168	8,453

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

OUTSTANDING COMPANY SHARE DATA

	As of April 30, 2014
Common shares – voting	37,253,301
Options	2,622,500
Fully diluted common shares	39,875,801

OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2014, 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 March 31, 2014	**As at December 31, 2013**
Opening balance	$ 1,467	$ 1,845
Share purchase loans issued	—	99
Repayment of share purchase loan	—	(459)
Interest charged	6	25
Interest paid	(6)	(43)
	1,467	1,467

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

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at March 31, 2014, 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 derivative financial instruments. Of the Company's financial instruments, trade and note receivables have exposure to 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 trade receivables 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 trade and note receivables 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 judgments 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. For the period ended March 31, 2014, 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 $1 thousand (2013 - $3 thousand).

CRITICAL ACCOUNTING ESTIMATES

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

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on management's best estimate using knowledge of past transactions, and 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 and residual values 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, or when facts and circumstances indicate, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value less costs of disposal and value-in-use. Fair value less costs of disposal and value-in-use calculations require the use of estimates, assumptions and judgments. Value-in-use calculations require management to use assumptions regarding discount rates and estimated future cash flows. Fair value less costs of disposal requires management to make judgments of fair value using market conditions as well as estimations of costs to dispose.

Compensation costs accrued for long-term share-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.

Assets held for sale are to be carried at the lower of cost and fair value less costs of disposal. Management's best estimate of fair value less costs of disposal 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, 2014:

In December 2011, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation" ("IAS 32"), to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right to offset must be available on the current date and cannot be contingent on a future event. The Company adopted the amendments to IAS 32 are effective January 1, 2014, with retrospective application. IAS 32 did not have a significant impact on the Company's condensed interim consolidated financial statements.

IFRIC 21, "Levies" ("IFRIC 21"), sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses diversity in practice around when the liability to pay a levy is recognized. Practice differs particularly when a levy is measured based on financial data relating to a period before the date on which the obligation to pay the levy arises. IFRIC 21 addresses the accounting for a liability to pay a levy recognized in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, "Income taxes". The adoption of this standard has not had a material impact on the Company's condensed interim consolidated financial statements

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, 2013, 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, 2013, Strad's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Strad will continue to evaluate the disclosure controls and procedures with modifications being made when necessary. There were no changes in Strad's disclosure controls and procedures that occurred during the three months ended March 31, 2014, 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, 2013, and based on that assessment determined that the Company's internal controls over financial reporting was, in all material respects, appropriately designed and operating effectively.

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

During the three months ended March 31, 2014, 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 the risk of its customers delaying or failing to pay invoices. Risk of payment delays or failure to pay is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company's customers.

It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does not have significant exposure to any individual customer, other than one customer that accounted for 15% of revenue from 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 MANAGEMENT AND THE BOARD OF DIRECTORS

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

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 an increase in dividend to be paid by Strad, future capital expenditures of the Company, changes in margin to be experienced by Strad, 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 including the effects of industry trends on demand for the Company's products. These statements relate to future events or to the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

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 plus interest, finance fees, taxes, depreciation and amortization, loss on disposal of property, plant and equipment, loss on foreign exchange, loss on assets held for sale, 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, excluding assets held for sale. 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 three months ended March 31, 2014, is calculated as annualized year-to-date EBITDA divided by the average of total assets over the fourth 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 long-term debt plus current and long-term portion of finance lease obligations, less cash.

Reconciliation of EBITDA and Funds from Operations

($000's)

	Three months ended March 31,	
	2014	**2013**
Net income	4,141	1,063
Add:		
Depreciation and amortization	5,487	7,626
(Gain)/loss on disposal of PP&E	(758)	586
Loss on disposal of assets held for sale	38	158
Share-based payments	138	188
Deferred income tax expense	864	345
Financing fees	88	72
Interest expense	535	714
Funds from operations	10,533	10,752
Add:		
Gain on foreign exchange	(67)	(121)
Current income tax expense	660	216
Subtotal	11,126	10,847
Deduct:		
Share-based payments	138	188
EBITDA	10,988	10,659

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

	Three months ended			
	Mar 31, 2014	**Dec 31, 2013**	**Sept 30, 2013**	**Jun 30, 2013**
Net income	4,141	1,923	2,373	13
Add:				
Depreciation and amortization	5,487	5,265	7,259	8,824
(Gain)/loss on disposal of PP&E	(758)	477	162	76
Loss on disposal of assets held for sale	38	637	—	17
Gain on foreign exchange	(67)	(5)	(63)	(18)
Current income tax expense	660	466	627	94
Deferred income tax expense/ (recovery)	864	(225)	(808)	(1,099)
Interest expense	535	665	784	791
Restructuring reversal	—	(514)	—	—
Impairment loss	—	1,901	—	—
Finance fees	88	88	88	71
EBITDA	10,988	10,678	10,422	8,769

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