MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“**MD&A**”) was prepared as of November 3, 2015, 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 nine months ended September 30, 2015, 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 nine months ended September 30, 2015, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2014. 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 and nine months ended September 30, 2015, may be found under the Company's profile on the System for Electronic Document Analysis and Retrieval **(“SEDAR”)** at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Third quarter adjusted EBITDA[(1)] of $4.0 million decreased 77% compared to $17.8 million for the same period in 2014. Adjusted EBITDA excluding one time and non-recurring items[(2)] would otherwise be $4.3 million;
- Third quarter (loss) earnings per share decreased to $(0.55) from $0.22 for the same period in 2014. Third quarter loss per share excluding one time and non-recurring items,[(2)] goodwill impairment and property, plant and equipment impairment would otherwise be $(0.04);
- Third quarter revenue of $25.3 million decreased 56% compared to $58.1 million for the same period in 2014;
- Reduced total funded debt[(3)] by $14.2 million since March 31, 2015;
- Total funded debt[(3)] to EBITDA[(4)] ratio was 0.8 to 1.0 at the end of the third quarter of 2015;
- Recorded a non-cash goodwill impairment of $17.3 million during the third quarter of 2015;
- Recorded a non-cash property, plant and equipment impairment of $1.9 million during the third quarter of 2015; and
- Capital additions totaled $0.8 million during the third quarter of 2015.

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments (“adjusted EBITDA”) is not a recognized measure under IFRS; see “Non-IFRS Measures Reconciliation”.
(2) One time and non-recurring items include advisory fees associated with the potential takeover bid announced and subsequently withdrawn in September.
(3) Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
(4) EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional one time charges.

THIRD QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	% Chg.	2015	2014	% Chg.
Revenue	25,299	58,115	(56)	89,576	163,695	(45)
Adjusted EBITDA[1]	4,021	17,835	(77)	14,932	41,123	(64)
Adjusted EBITDA as a % of revenue	16%	31%		17%	25%	
Per share ($), basic	0.11	0.48	(77)	0.40	1.12	(64)
Per share ($), diluted	0.11	0.47	(77)	0.40	1.09	(63)
Net (loss) income	(20,362)	7,968	(356)	(22,045)	16,872	(231)
Per share ($), basic	(0.55)	0.22		(0.60)	0.46	
Per share ($), diluted	(0.55)	0.21		(0.60)	0.45	
Funds from operations[2]	4,120	17,158	(76)	15,539	39,957	(61)
Per share ($), basic	0.11	0.47	(77)	0.42	1.09	(61)
Per share ($), diluted	0.11	0.45	(76)	0.42	1.06	(60)
Capital expenditures[3]	769	6,302	(88)	8,278	27,508	(70)
Total assets	188,894	234,522	(19)	188,894	234,522	(19)
Long-term debt	18,500	37,400	(51)	18,500	37,400	(51)
Total long-term liabilities	29,248	50,334	(42)	29,248	50,334	(42)
Common shares - end of period ('000's)	37,280	37,275		37,280	37,275	
Weighted avg common shares ('000's)						
Basic	36,916	36,781		36,914	36,748	
Diluted	36,916	37,795		36,914	37,615	

Notes:

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

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

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

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of 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 Matting Manufacturing. Strad has strategically diversified its operations through the addition of new products and services, and is geographically diversified across North America. Strad's commodity exposure includes conventional and unconventional oil, liquids rich natural gas and dry natural gas as well as exposure to energy infrastructure projects including 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 September 30, 2015, the Company has 27 operating locations throughout North America.

THIRD QUARTER RESULTS

Strad reported a decrease in revenue and adjusted EBITDA of 56% and 77% respectively, during the three months ended September 30, 2015, compared to the same period in 2014. Decreased revenue during the third quarter was a result of reduced equipment utilization and pricing in both Canada and the U.S. and lower Product Sales due to a significant decline in rig activity levels year-over-year. Adjusted EBITDA margin percentage decreased to 16% compared to 31% in the prior year during the third quarter of 2015 due to the decrease in overall revenue during the quarter.

Strad's Canadian Operations reported a decrease in revenue of 60% and adjusted EBITDA of 69% during the three months ended September 30, 2015, compared to the same period in 2014. Decreased revenue was a result of lower pricing and utilization of the surface equipment fleet as a result of a 52% decline in the average drilling rig count to 187 rigs during Q3 2015 compared to 387 for the same period in 2014.

Rig counts in Strad's targeted U.S. resource plays were also significantly lower year-over-year during the third quarter of 2015 compared to the same period in 2014. Rig counts in the Bakken, Rockies and Marcellus regions decreased by 63%, 58%, and 39%, respectively, year-over-year. The rig count declines resulted in a 56% decrease in revenue during the third quarter of 2015 compared to 2014. As a result of lower revenue, adjusted EBITDA decreased 85% and adjusted EBITDA as a percentage of revenue decreased to 15% during the third quarter of 2015 compared to 44% in the third quarter of 2014.

During the third quarter of 2015, capital expenditures were $0.3 million in Canada and $0.5 million in the U.S. Strad has approved a total of $10.0 million in budgeted capital for 2015, including $5.0 million of maintenance capital expenditures.

OUTLOOK

Commodity prices over most of Q3 2015 were lower than levels at the end of Q2 2015 and continue to be well below pricing levels from 2014. WTI crude oil prices declined from Q2 2015 highs of $60/bbl back to levels at or below $50/bbl for much of the third quarter. Pricing at these levels continues to negatively impact activity. Henry Hub natural gas prices have remained below $US 3.00/mcf for much of the first nine months of the year.

Low commodity prices continued to produce a marked decline in industry drilling rig activity across most basins in North America. Year-over-year rig count declines in Q3 exceeded declines experienced in Q1 and Q2 2015. Oil producing regions in Western Canada and the Bakken continue to be impacted to the greatest degree. The decline in activity continues to result in pricing pressures across all regions in 2015 as producers seek to reduce drilling costs.

In the WCSB, active drilling rigs in the third quarter of 2015 were down approximately 52% over the prior year, averaging 187 compared to 387 for the same period in 2014. In the U.S., drilling rig activity continued to vary by region, with the total active U.S. rig count decreasing by 55% on a year-over-year basis and 39% sequentially. The majority of Strad's U.S. fleet continues to operate in the Bakken and Marcellus resource plays. The Bakken region experienced a decline similar to the WCSB while the Marcellus play, given its gas weighting, experienced a more modest decline. The active rig count in the Bakken averaged 71 rigs in the third quarter of 2015, down 63% from 190 in the prior year. In the gas-weighted Marcellus and Utica plays, the active rig count averaged 75 during the third quarter of 2015, 39% lower than 123 during the prior year period.

Bakken operations are in close proximity to the Rockies region, consisting of Colorado, Wyoming, and Utah, where an average of 64 rigs were drilling during the third quarter, representing a decline of 58% from rigs in the previous period.

Management continued to focus on expanding the Company's service offerings to the energy infrastructure market, including pipeline construction, power transmission construction and energy facilities construction, during the third quarter to further diversify the business into markets that are expected to be less commodity price sensitive in the near term. Matting demand has been reasonably strong in Canada as several infrastructure related projects continue to progress despite the weak commodity price environment.

Overall, Strad's diversification across geographies in Canada and the U.S., exposure to both crude oil and natural gas activity, product line diversification, blue chip and well capitalized customer base, and exposure to energy infrastructure projects collectively, is expected to serve to insulate the business to some degree from the decline in drilling activity levels.

Management continued to actively manage costs during the third quarter in response to lower activity levels. In addition to staff layoffs, reduction of labour hours, company wide wage rollbacks, and reductions in discretionary expenditures discussed previously, further reductions of direct labour and selling, general and administration ("SG&A") staff have been completed to align the cost structure to the level of activity present in the business. Since the end of 2014, Strad has reduced its employee headcount by nearly 140 staff or more than 40%. The Company expects to realize the full benefit of the most recent cost reductions in the fourth quarter of 2015.

Management expects activity levels to remain low until such time that commodity prices stabilize resulting in increased producer capital spending. There continues to be little visibility regarding producer capital spending and as a result, management expects winter drilling activity to be significantly lower year-over-year in Q4 2015 and Q1 2016. Management's strategy continues to reflect a prudent and measured approach with a focus on cash preservation, debt paydown and maintaining flexibility to be able to respond to opportunities that are presented when the market does recover. The maintenance capex requirement in 2015 and 2016 continues to be modest and is anticipated to be managed at or below $5 million per year in this environment. The Company has made select capital expenditures, mostly in the matting product line, to support reasonably strong demand in that business.

The business continued to produce positive cash flow even at significantly reduced revenue and adjusted EBITDA levels this quarter. Outstanding debt was reduced by an additional $3.0 million during the third quarter, bringing total debt reduction to $14.2 million since March 31, 2015. Total funded debt was $25.2 million at September 30, 2015 and the total funded debt to adjusted EBITDA ratio was 0.8 to 1.0.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended September 30,			Nine months ended September 30,		
($000's)	2015	2014	% chg.	2015	2014	% chg.
Revenue	13,359	33,162	(60)	46,337	74,191	(38)
Operating expenses	8,492	21,070	(60)	30,646	46,970	(35)
Selling, general and administration	1,877	2,347	(20)	5,564	7,162	(22)
Net (loss) income	(8,423)	5,363	(257)	(7,132)	12,425	(157)
Adjusted EBITDA[(1)]	2,967	9,663	(69)	10,051	19,877	(49)
Adjusted EBITDA as a % of revenue	22%	29%		22%	27%	
Capital expenditures[(2)]	292	4,663	(94)	5,675	18,005	(68)
Gross capital assets	118,527	116,248	2	118,527	116,248	2
Total assets	89,359	117,832	(24)	89,359	117,832	(24)

Notes:

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

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

Revenue for the three months ended September 30, 2015, of $13.4 million decreased 60% compared to $33.2 million for the same period in 2014. Decreased revenue during the quarter was primarily a result of lower rental revenue from the surface equipment and matting fleets. In addition to price declines, utilization levels for surface equipment declined by 56% during the third quarter of 2015, compared to the same period in 2014, due to a 52% decline in average rig count in the WCSB over the same time period. A significant decline in commodity prices in late 2014 caused the decline in rig count during the third quarter of 2015 as Strad's customers reduced capital spending.

During the third quarter, revenue from Strad's matting rental fleet decreased due to lower utilization and pricing, partially offset by an increase in the overall size of the matting fleet. Strad's Canadian matting fleet increased to approximately 51,800 pieces as at September 30, 2015, compared to approximately 46,800 pieces as at September 30, 2014. However, utilization decreased by 35% during the third quarter of 2015, compared to the third quarter of 2014, due to the rig count decline in the WCSB.

Adjusted EBITDA for the three months ended September 30, 2015, of $3.0 million, decreased 69% compared to $9.7 million for the same period in 2014. Adjusted EBITDA as a percentage of revenue, for the three months ended September 30, 2015, decreased to 22% compared to 29% for the same period in 2014. The decline in adjusted EBITDA is a result of the decline in total revenue during the third quarter.

Revenue for the nine months ended September 30, 2015, of $46.3 million, decreased 38% compared to $74.2 million for the same period in 2014. Decreased drilling activity was the primary driver of lower revenue year-over-year.

Adjusted EBITDA for the nine months ended September 30, 2015, of $10.1 million, decreased 49% compared to $19.9 million for the same period in 2014. Adjusted EBITDA as a percentage of revenue, for the nine months ended September 30, 2015, was 22% compared to 27% for the same period in 2014.

Operating expenses for the three and nine months ended September 30, 2015, of $8.5 million and $30.6 million decreased 60% and 35% respectively compared to $21.1 million and $47.0 million for the same period in 2014. The decline in operating expenses during the third quarter of 2015 is a result of lower activity levels.

SG&A for the three and nine months ended September 30, 2015, of $1.9 million and $5.6 million respectively decreased 20% and 22% compared to $2.3 million and $7.2 million for the same period in 2014. SG&A costs decreased due to cost reductions implemented by management including staff reductions, wage roll backs and reductions in discretionary spending.

U.S. Operations

	Three months ended September 30,			**Nine months ended September 30,**		
($000's)	**2015**	**2014**	**% chg.**	**2015**	**2014**	**% chg.**
Revenue	8,715	19,741	(56)	32,208	51,987	(38)
Operating expenses	6,117	9,018	(32)	21,182	26,651	(21)
Selling, general and administration	1,323	2,030	(35)	4,723	6,509	(27)
Net (loss) income	(11,137)	2,730	(508)	(12,193)	3,414	(457)
Adjusted EBITDA(1)	1,286	8,684	(85)	6,301	18,802	(66)
Adjusted EBITDA as a % of revenue	15%	44%		20%	36%	
Capital expenditures(2)	473	1,593	(70)	2,453	9,175	(73)
Gross capital assets	149,491	119,902	25	149,491	119,902	25
Total assets	98,418	113,418	(13)	98,418	113,418	(13)

Notes:

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

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

Revenue for the three months ended September 30, 2015, decreased 56% to $8.7 million from $19.7 million for the same period in 2014. The decline in revenue is due to a combination of lower rental fleet utilization rates and average pricing offset with an increase in the size of the rental fleets and a strengthening U.S. dollar. During the third quarter of 2015, utilization rates for Strad's U.S. matting, surface equipment and solids control fleets declined by 71%, 44%, and 59%, respectively, compared to the same period in 2014. Pricing pressure in Q3 2015 contributed further to revenue declines. Both utilization and price declines year-over-year are the result of a decline in rig counts across all Strad's targeted resource plays in the U.S. Average rig counts declined in the Bakken, Rockies and Marcellus regions by 63%, 58%, and 39%, respectively, during the third quarter of 2015 compared to the same quarter in 2014.

An increase in the matting, surface equipment and solids control rental fleets year-over-year offset declines in utilization rates and average pricing. The U.S. matting fleet increased by 1,670 pieces to 13,002 as at September 30, 2015, compared to 11,332 pieces as at September 30, 2014. The U.S. surface equipment fleet increased by 338 pieces of equipment to 2,022 pieces as at September 30, 2015, compared to 1,684 pieces as at September 30, 2014. Strad's U.S. solids control fleet increased by 5 centrifuges to a total of 53 as at September 30, 2015, compared to 48 centrifuges as at September 30, 2014. Finally, a strengthening U.S. dollar from Q3 2014 to Q3 2015 helped offset a portion of the revenue decline.

Adjusted EBITDA for the three months ended September 30, 2015, decreased 85% to $1.3 million compared to $8.7 million for the same period in 2014. Adjusted EBITDA as a percentage of revenue, for the three months ended September 30, 2015, was 15% compared to 44% for the same period in 2014. The decrease in both adjusted EBITDA and adjusted EBITDA as a percentage of revenue is primarily due to the decline in revenue compared to the same period in 2014.

Revenue for the nine months ended September 30, 2015, decreased 38% to $32.2 million compared to $52.0 million for the same period in 2014. The year-over-year decrease in revenue was primarily driven by decreased utilization of Strad's matting, solids control and surface equipment fleets.

Adjusted EBITDA for the nine months ended September 30, 2015, decreased 66% to $6.3 million compared to $18.8 million for the same period in 2014. Decreased adjusted EBITDA was due to lower revenue compared to the same period in 2014. Adjusted EBITDA as a percentage of revenue for the nine months ended September 30, 2015, was 20% compared to 36% for the same period in 2014.

Operating expenses for the three and nine months ended September 30, 2015, of $6.1 million and $21.2 million, respectively, decreased 32% and 21% compared to $9.0 million and $26.7 million for the same period in 2014. The decline in operating expenses during the third quarter of 2015 is a result of lower activity levels. A portion of the Company's operating expenses are fixed, thus the percentage decline is lower for operating expenses compared to revenue.

SG&A costs for the three and nine months ended September 30, 2015, of $1.3 million and $4.7 million, respectively, decreased 35% and 27% compared to $2.0 million and $6.5 million for the same period in 2014. SG&A costs decreased due to cost reductions implemented by management including staff reductions, wage roll backs and reductions in discretionary spending.

Product Sales

($000's)	Three months ended September 30, 2015	2014	% chg.	Nine months ended September 30, 2015	2014	% chg.
Revenue	3,225	5,212	(38)	11,031	37,517	(71)
Operating expenses	2,911	4,739	(39)	10,527	31,997	(67)
Selling, general and administration	42	46	(9)	126	145	(13)
Net (loss) income	(45)	321	(114)	—	2,698	(100)
Adjusted EBITDA[(1)]	274	420	(35)	378	5,370	(93)
Adjusted EBITDA as a % of revenue	8%	8%		3%	14%	
Capital expenditures[(2)]	—	10	(100)	—	24	(100)
Total assets	149	1,665	(91)	149	1,665	(91)

Notes:

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

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

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

Revenue for the three months ended September 30, 2015, decreased 38% to $3.2 million from $5.2 million for the same period in 2014, resulting primarily from lower sales of in-house manufactured products sold to external customers and third party equipment sales. During the third quarter, Product Sales consisted of $1.7 million of in-house manufactured products, $0.4 million of third party equipment sales and $1.1 million of rental fleet sales compared to $3.7 million, $0.7 million and $0.8 million, respectively, during the same period in 2014. Sales in the quarter were impacted by a significant decrease in demand, typical in the business when drilling activity levels decline.

Adjusted EBITDA for the three months ended September 30, 2015, decreased 35% to $0.3 million compared to $0.4 million for the same period in 2014. Adjusted EBITDA as a percentage of revenue, for the three months ended September 30, 2015, remained consistent at 8%. The decrease in adjusted EBITDA was due to lower sales revenue during the third quarter of 2015 compared to the same period in the prior year.

Revenue for the nine months ended September 30, 2015, decreased 71% to $11.0 million compared to $37.5 million for the same period in 2014. Revenue was lower during the first nine months of 2015 due to decreased rig activity. Sales of Strad's rental fleet equipment fluctuate quarter-over-quarter and are primarily dependent on strategic opportunities to monetize underutilized rental assets.

Adjusted EBITDA for the nine months ended September 30, 2015, decreased 93% to $0.4 million compared to $5.4 million for the same period in 2014. The decrease in adjusted EBITDA was due to lower sales revenue in 2015 compared to the same period in 2014. Adjusted EBITDA as a percentage of revenue, for the nine months ended September 30, 2015, was 3% compared to 14% for the same period in 2014.

Operating expenses for the three and nine months ended September 30, 2015, of $2.9 million and $10.5 million respectively decreased 39% and 67% compared to $4.7 million and $32.0 million for the same period in 2014. Operating expenses were removed from the business as activity levels declined.

Corporate

Selling, general and administration expenses are largely allocated to the individual operating segments and reflected in the adjusted EBITDA performance discussed previously. The remaining unallocated corporate costs consist of head office infrastructure and general corporate costs. Corporate costs for the three and nine months ended September 30, 2015, were $0.5 million and $1.7 million compared to $0.9 million and $2.8 million for the same period in 2014. Corporate costs as a percentage of total revenue during the three months ended September 30, 2015, remained consistent with the same period in the prior year at 2%. One time non-recurring items of $0.3 million include advisory fees associated with the potential takeover bid for the Company announced and subsequently withdrawn in September.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment, intangible assets and long term assets increased to $7.7 million and $21.8 million for the three and nine months ended September 30, 2015, compared to $5.8 million and $17.0 million for the same period in 2014. The increase is due to capital additions of $42.7 million in 2014 and the foreign exchange impact of a weakening Canadian dollar.

Interest and Finance Fees

Interest expense totaled $0.3 million and $1.2 million for the three and nine months ended September 30, 2015, compared to $0.5 million and $1.7 million for the same period in 2014. Average funded debt for the nine months ended September 30, 2015, was $33.5 million compared to $50.1 million for the same period in 2014.

Loss or Gain on Foreign Exchange

Loss on foreign exchange for the three and nine months ended September 30, 2015, was $0.4 million and $0.2 million compared to a gain of $0.2 million and nil for the same periods in 2014. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/U.S. exchange rates. The Company has exposure to U.S. dollars since a portion of the Company's customers and vendors transact in USD and the Company reports in CAD. The Canadian dollar has weakened by 16% against the U.S. dollar over the past year (1 CAD = 0.75 USD as at September 30, 2015, compared to 1 CAD = 0.89 USD as at September 30, 2014).

Impairment of goodwill and property, plant and equipment

The Company reviews the carrying value of its long-lived assets and cash-generating units ("CGU's") at each balance sheet date to determine whether there is any indication of impairment. During the period, significant decreases in industry activity resulting from the decline in oil and natural gas prices and its impact on current and future business were indicators of impairment and resulted in the Company conducting its test for impairment as of September 30, 2015. The recoverable amount of each CGU was determined using fair value less costs of disposal calculations, which included discounted after-tax cash flow calculations, using forecast prices and cost estimates (Level 3) based on expected future results and discount rates of 15.0% (Canadian Operations) and 15.5% (U.S. Operations). Cash flow projections for 2015 to 2019 have assumed a gradual recovery to historical activity levels. Cash flow projections thereafter have been extrapolated based on a 2.0% per annum growth rate. To assess reasonableness, an evaluation of EBITDA multiples was also completed. As a result of these tests, it was determined that the carrying amount exceeded the recoverable amount indicating impairment of the carrying values. Accordingly, the Company recorded a goodwill impairment loss in the Canadian Operations CGU and U.S. Operations CGU of $7.7 million and $9.6 million, respectively, as at September 30, 2015. The Company also recognized a property, plant and equipment impairment charge related to its drill pipe assets in the amount of $1.9 million in the Canadian Operations segment.

Income Taxes

For the nine months ended September 30, 2015, the Company recorded a loss before income taxes of $27.4 million, incurred current income tax recovery of $0.6 million and deferred tax recovery of $4.8 million, compared to a current tax expense of $1.5 million and a deferred income tax expense of $3.9 million for the same period in 2014. 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 19% for the nine months ended September 30, 2015, compared to 24% for the same period in 2014.

Revision of prior period comparatives

A review of the Company's intercompany payable transactions denominated in Canadian dollars in the Company's U.S. foreign operation was undertaken in the first quarter of 2015. Upon completion of the review, an overstatement of accounts payable and accrued liabilities ("A/P") and understatement of accumulated other comprehensive income ("AOCI"), an equity account, in the amount of approximately $9.5 million at December 31, 2014 ($4.5 million at December 31, 2013) was identified. A similar overstatement/understatement occurred at each period ended prior to December 31, 2014, going back to 2011. The Company considers the intercompany receivable (in Canada) and inter-company payable (in U.S.) to be part of the Company's net investment in its U.S. foreign operation; therefore, the inter-company balances should be treated similarly to an equity transaction on consolidation, with foreign exchange differences accumulating in AOCI. In the consolidated statement of cash flow, there was an overstatement of changes in items of non-cash working capital of $5.0 million for the year ended December 31, 2014 ($3.5 million for the year ended December 31, 2013) and an offsetting understatement of effect of exchange rate changes on cash and cash equivalents of the same amounts for the respective periods. The overstatement/understatement had no impact on net income, earnings per share, adjusted EBITDA or the Company's cash position at any of the periods affected.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
($000's, except per share amounts)	**Sep 30, 2015**	**Jun 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**
Revenue	25,299	29,907	34,370	56,089
Adjusted EBITDA(1)	4,021	3,854	7,057	17,571
Net (loss) income	(20,362)	(1,887)	204	6,125
Per share ($), basic	(0.55) (2)	(0.05)	0.01	0.17
Per share ($), diluted	(0.55) (2)	(0.05)	0.01	0.16

Notes:
(1) Adjusted *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(2) *Includes one time non-recurring items of $0.3 million, non-cash goodwill impairment of $17.3 million and non-cash property, plant and equipment impairment of $1.9 million.*

	Three months ended			
($000's, except per share amounts)	**Sep 30, 2014**	**Jun 30, 2014**	**Mar 31, 2014**	**Dec 31, 2013**
Revenue	58,115	53,692	51,888	47,850
Adjusted EBITDA(1)	17,835	12,300	10,988	10,678
Net income	7,968	4,763	4,141	1,923
Per share ($), basic	0.22	0.13	0.11	0.05
Per share ($), diluted	0.21	0.13	0.11	0.05

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

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately half of Strad's gross capital assets are located in the U.S. The U.S. does not normally experience the same seasonal reduction in drilling activity that the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is typically minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. 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)	September 30, 2015	December 31, 2014
Current assets	32,568	57,683
Current liabilities	20,177	31,362
Working capital[(1)]	12,391	26,321
Banking facilities		
Operating facility	5,345	826
Syndicated revolving facility	18,500	36,000
Total facility borrowings	23,845	36,826
Total credit facilities [(2)]	110,000	110,000
Unused credit capacity	86,155	73,174

Notes:

(1) *Working capital is calculated as current assets less current liabilities, excluding assets held for sale.*

(2) *Facilities are subject to certain limitations on accounts receivable, inventory, and net book value of fixed assets and are secured by a general security agreement over all of the Company's assets. As at September 30, 2015, Strad had access to $108 million of credit facilities.*

As at September 30, 2015, working capital was $12.4 million compared to $26.3 million at December 31, 2014. The change in current assets is a result of a 51% decrease in accounts receivable to $23.9 million for the third quarter of 2015 compared to $48.5 million for the fourth quarter of 2014. Accounts receivable decreased due to the 55% decline in revenue during the third quarter of 2015 compared to the fourth quarter of 2014. Additionally, inventory decreased by 22% to $5.8 million for the third quarter of 2015 from $7.4 million for the fourth quarter of 2014, offset by an increase in prepaid expenses of $0.1 million at the end of the third quarter compared to the fourth quarter of 2014. Inventory decreased due to the decline in Product Sales during Q3 2015 compared to Q4 2014.

The change in current liabilities is a result of a 55% decrease in accounts payable and accrued liabilities to $11.3 million for the third quarter of 2015 compared to $25.2 million at year end, offset by an increase of $4.5 million in bank indebtedness at the end of the third quarter. Accounts payable decreased due to a decline in activity and operating expenses during Q3 2015 compared to Q4 2014. The increase in bank indebtedness is primarily due to repayments of a portion of the Company's long term debt. The overall decrease in working capital is consistent with the decrease in revenue from the fourth quarter of 2014 to the third quarter of 2015.

Funds from operations for the three months ended September 30, 2015, decreased to $4.1 million compared to $17.2 million for the three months ended September 30, 2014. Capital expenditures totaled $0.8 million for the three months ended September 30, 2015. Strad's total facility borrowing decreased by $13.0 million for the nine months ended September 30, 2015. 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 syndicated revolving facility, both of which are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over all of the Company's assets. As at September 30, 2015, the Company has access to $108 million of credit facilities. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company's funded debt to EBITDA ratio. The Company's syndicated banking facility matures on September 30, 2017.

Based on the Company’s funded debt to EBITDA ratio of 0.8 to 1.0 at the end of the third quarter of 2015, the interest rate on the syndicated banking facility is bank prime plus 0.75% on prime rate advances and at the prevailing rate plus a stamping fee of 1.75% on bankers’ acceptances. For the nine months ended September 30, 2015, the overall effective rates on the operating facility and revolving facility were 4.50% and 3.30%, respectively. As of September 30, 2015, $5.3 million was drawn on the operating facility and $18.5 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at September 30, 2015, the Company was in compliance with all of the financial covenants under its credit facilities.

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

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

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

Financial Debt Covenants	**As at September 30, 2015**	**As at December 31, 2014**
Funded debt to EBITDA ratio (not to exceed 3.0:1.0)		
Funded debt	25,196	38,677
EBITDA	33,517	59,174
Ratio	0.8	0.7
EBITDA to interest coverage ratio (no less than 3.0:1.0)		
EBITDA	33,517	59,174
Interest expense	1,693	2,176
Ratio	19.8	27.2

CONTRACTUAL OBLIGATIONS

The Company’s contractual obligations as at September 30, 2015, were as follows:

($000’s)	**Total**	**1 Year or Less**	**2-3 Years**	**4+ Years**
Finance leases	1,351	911	440	—
Operating leases	19,114	1,329	7,773	10,012
Total commitments	20,465	2,240	8,213	10,012

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

OUTSTANDING COMPANY SHARE DATA

	As of November 3, 2015
Common shares	37,280,397
Options	2,528,506
Fully diluted common shares	39,808,903

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2015, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Loans to key management

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

	For the period ended	
	September 30, 2015	December 31, 2014
Opening balance	$ 1,050	$ 1,467
Repayment of share purchase loan	(53)	(421)
Interest charged	3	22
Interest paid	(7)	(18)
	993	1,050

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

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at September 30, 2015, 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 receivables has 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 receivables as minimal.

	As at September 30, 2015	As at December 31, 2014
Under 30 days	$ 18,340	$ 35,010
31-60 days	3,210	8,783
61-90 days	1,253	2,339
Over 90 days	1,079	2,410
Trade receivables	23,882	48,542

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.

	2015	2016	2017
	Less than 1 year	1 – 2 years	2 - 3 years
Accounts payable and accrued liabilities	$ 11,296	$ —	$ —
Bank indebtedness(1)	5,586	—	—
Long-term debt(1)	153	611	18,958
Obligations under finance lease(1)	197	924	304
Dividend payable	2,609	—	—
Total	19,841	1,535	19,262

(1) Includes principal and interest.

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 September 30, 2015, 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 $61 thousand (2014 - $25 thousand).

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.

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 reviews the carrying value of its long-lived assets and CGU's at each balance sheet date to determine whether there is any indication of impairment. During the period, significant decreases in industry activity resulting from the decline in oil and natural gas prices and its impact on current and future business were indicators of impairment and resulted in the Company conducting its test for impairment as of September 30, 2015.

In accordance with the Company's accounting policies, property, plant and equipment and goodwill is attributed to the CGU's that collectively form the Canadian Operations and U.S. Operations operating segments. To assess impairment, the recoverable amount of the CGU to which the property, plant and equipment and goodwill relates is compared to the carrying amount. If the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized. An impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU.

The carrying amount of each of the Company's Canadian Operations and U.S. Operations CGU's was compared to its recoverable amounts and the Company determined that the carrying amount of each CGU exceeded the recoverable amount indicating impairment of carrying values. The recoverable amount of each CGU was determined using fair value less costs of disposal calculations, which included discounted after-tax cash flow calculations, using forecast prices and cost estimates (Level 3) based on expected future results and a discount rates of 15.0% (Canadian Operations) and 15.5% (U.S. Operations). Cash flow projections for 2015 to 2019 have assumed a gradual recovery to historical activity levels. Cash flow projections thereafter have been extrapolated based on a 2.0% per annum growth rate. To assess reasonableness, an evaluation of EBITDA multiples was also completed. As at September 30, 2015, the recoverable amount of the Canadian Operations CGU and U.S. Operations CGU was estimated to be $70.6 million and $67.1 million, respectively. The Company has $56.4 million in non-capital losses in its U.S. Operations CGU, which was excluded from the recoverable amount calculation of the U.S. Operations CGU for purposes of the impairment test. Management's estimates of recoverable amounts are subject to measurement uncertainty as the recoverable amounts are based upon current operating forecasts, utilization rates, rates for available equipment, costs to maintain the equipment and post-tax discount rates.

As a result of the impairment identified in its CGU's, management compared the estimated recoverable amount of each CGU to the carrying value of each CGU and it was determined that the carrying value exceeded the estimated recoverable amount. Accordingly, the Company recorded a goodwill impairment loss in the Canadian Operations CGU and U.S. Operations CGU of $7.7 million and $9.6 million, respectively, as at September 30, 2015. The Company also recognized a property, plant and equipment impairment charge related to its drill pipe assets in the amount of $1.9 million in the Canadian Operations segment.

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.

Future accounting policy and disclosures

On July 24, 2014, the IASB issued IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, "*Financial Instruments: Recognition and Measurement.*" IFRS 9 is effective for years beginning on or after January 1, 2018. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

In May 2014, the IASB published IFRS 15, "*Revenue From Contracts With Customers*" ("IFRS 15") replacing IAS 11, "*Construction Contracts*", IAS 18, "*Revenue*" and several revenue-related interpretations. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company certify on a quarterly and annual basis that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework (1992) ("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, 2014, 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.

As a result of the identified and revised comparative balances disclosed herein, the Company's internal controls over financial reporting were reviewed by the certifying officers. The certifying officers have taken steps to remediate the identified deficiency and enhanced internal controls to improve operating effectiveness.

During the three months ended September 30, 2015, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

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

Risks in the Oil and Natural Gas Exploration and Production Industry

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

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

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

Competition

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

Ongoing Capital Requirements

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

Current Global Financial Conditions

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

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

Seasonality of Oilfield Operations

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

Accounts Receivable

A substantial portion of the Company’s accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to its customers delaying or failing to pay invoices. Risk of payment delays, or failure to pay, is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company’s customers. It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does not have significant exposure to any individual customer.

Environmental Legislation

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

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

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

For additional information, including risks and uncertainties and other factors that could affect the Company's business, see "Risk Factors" in the Company's AIF dated March 23, 2015, which is available on SEDAR at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

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

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

NON-IFRS MEASURES RECONCILIATION

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

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

Funds from operations are cash flow from operating activities excluding changes in 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.

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 Adjusted EBITDA and Funds from Operations
($000's)

	Three months ended September 30,		Nine months ended September 30,	
	2015	**2014**	**2015**	**2014**
Net (loss) income	$ (20,362)	$ 7,968	$ (22,045)	$ 16,872
Add:				
Depreciation and amortization	7,716	5,799	21,781	17,025
(Gain) loss on disposal of PP&E	(30)	665	(155)	(334)
Loss on disposal of assets held for sale	—	—	—	199
Impairment	1,900	—	1,900	—
Goodwill impairment	17,277	—	17,277	—
Share-based payments	47	109	215	369
Deferred income tax (recovery) expense	(2,776)	2,042	(4,766)	3,930
Financing fees	37	32	134	219
Interest expense	311	543	1,198	1,677
Funds from operations	4,120	17,158	15,539	39,957
Add:				
Loss (gain) on foreign exchange	380	(181)	164	(12)
Current income tax (recovery) expense	(432)	967	(556)	1,547
Subtotal	4,068	17,944	15,147	41,492
Deduct:				
Share-based payments	47	109	215	369
Adjusted EBITDA	4,021	17,835	14,932	41,123

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

	Three months ended			
	Sep 30, 2015	**Jun 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**
Net (loss) income	$ (20,362)	$ (1,887)	$ 204	$ 6,125
Add:				
Depreciation and amortization	7,716	7,020	7,045	7,543
Gain on disposal of PP&E	(30)	(80)	(45)	(16)
Gain on disposal of assets held for sale	—	—	—	(11)
Loss (gain) on foreign exchange	380	(81)	(135)	47
Current income tax (recovery) expense	(432)	(18)	(106)	850
Deferred income tax (recovery) expense	(2,776)	(1,541)	(449)	2,092
Interest expense	311	391	496	495
Impairment loss	19,177	—	—	406
Finance fees	37	50	47	40
Adjusted EBITDA	4,021	3,854	7,057	17,571

	Three months ended			
	Sep 30, 2014	**Jun 30, 2014**	**Mar 31, 2014**	**Dec 31, 2013**
Net income	$ 7,968	$ 4,763	$ 4,141	$ 1,923
Add:				
Depreciation and amortization	5,799	5,739	5,487	5,265
Loss (gain) on disposal of PP&E	665	(241)	(758)	477
Loss on disposal of assets held for sale	—	161	38	637
(Gain) loss on foreign exchange	(181)	236	(67)	(5)
Current income tax expense (recovery)	968	(81)	660	466
Deferred income tax expense (recovery)	2,041	1,025	864	(225)
Interest expense	543	599	535	665
Restructuring recovery	—	—	—	(514)
Impairment loss	—	—	—	1,901
Finance fees	32	99	88	88
Adjusted EBITDA	17,835	12,300	10,988	10,678