MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of May 9, 2018, 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, 2018, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim financial statements of Strad for the three months ended March 31, 2018, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2017. Strad's financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad's class A 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 the three months ended March 31, 2018, may be found under the Company's profile on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

FIRST QUARTER SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Revenue increased 3% to $28.4 million compared to $27.7 million for the same period in 2017;
- First quarter loss decreased to $(0.4) million compared to $(2.3) million for the same period in 2017;
- Adjusted EBITDA(1) of $5.5 million increased 23% compared to $4.5 million for the same period in 2017;
- Loss per share decreased to $(0.01) as compared to $(0.04) during the same period in 2017;
- During the first quarter of 2018, the Company re-purchased and canceled 1,047,760 common shares under the normal course issuer bid (**"NCIB"**), bringing total shares repurchased and canceled under the NCIB to 1,154,860 as at March 31, 2018. Subsequent to the first quarter, an additional 1,527,560 common shares were re-purchased and canceled.
- Funded debt(2) decreased to $8.5 million for the three months ended March 31, 2018, as compared to $9.8 million at December 31, 2017. Funded debt(2) to covenant EBITDA(3) ratio was 0.3 to 1.0 at March 31, 2018; and
- Capital additions totaled $4.8 million during the first quarter of 2018.

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures Reconciliations".
(2) Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
(3) Covenant EBITDA, as defined in the Company's credit facility agreement, is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional one-time charges.

FIRST QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended March 31, 2018	2017	% Chg.
Revenue	28,364	27,660	3%
Net loss	(397)	(2,347)	nm
Per share ($), basic	(0.01)	(0.04)	nm
Per share ($), diluted	(0.01)	(0.04)	nm
Adjusted EBITDA [(1)]	5,516	4,496	23%
Adjusted EBITDA as a % of revenue	19%	16%	
Per share ($), basic	0.09	0.08	13%
Per share ($), diluted	0.09	0.08	13%
Cash flow from operating activities	6,479	3,541	83%
Per share ($), basic	0.11	0.06	83 %
Per share ($), diluted	0.11	0.06	83 %
Funds from operations [(2)]	6,471	5,527	17%
Per share ($), basic	0.11	0.08	38%
Per share ($), diluted	0.11	0.08	38%
Capital expenditures [(3)]	4,755	3,470	37%
Total assets	171,855	194,094	(11)%
Long-term debt	6,337	15,589	(59)%
Total long-term liabilities	18,182	27,601	(34)%
Common shares - end of period ('000's)	58,858	60,013	
Weighted average common shares ('000's)			
Basic	59,716	55,643	
Diluted	60,040	55,643	

Notes:

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

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

OVERVIEW OF THE COMPANY

Strad is an energy services company that offers its customers a wide range of matting solutions and rental equipment. The matting solutions product group includes environmental and access matting products and services. The surface equipment product group includes surface rentals as well is inclusive of: solids control and waste management, drill pipe and EcoPond® (frac-water storage). Strad strategically diversified its operations through multiple 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 pipelines, power transmission and facilities construction. Geographically, the Company operates in the Western Canadian Sedimentary Basin (**"WCSB"**) and within certain 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, 2018, the Company has 22 operating locations throughout North America.

FIRST QUARTER RESULTS

Strad reported an increase in revenue and adjusted EBITDA of 3% and 23%, respectively and a decrease in net loss of 83% during the three months ended March 31, 2018, compared to the same period in 2017. Strad's first quarter results were driven by increased drilling activity in Strad's U.S. operating regions, in addition to improved customer pricing. Higher rig counts in all three of the U.S. operating regions, resulted in increased revenue year-over-year. Decreased average rig counts in western Canada, due to higher price differentials, led to reduced operating activity and revenue from our Canadian Operations. Total company adjusted EBITDA margin percentage increased to 19% compared to 16% in the prior year, due to increased revenue and a relatively fixed cost structure.

For the three months ended March 31, 2018, Strad's U.S. Operations reported an increase in revenue and adjusted EBITDA of 63% and 1,047% as compared to the same period in 2017. Net loss from U.S. Operations decreased from $(2.2) million in first quarter 2017 to $(0.1) million in the first quarter of 2018. Rig counts in the Bakken, Marcellus and Rockies regions increased year-over-year by 32%, 24%, and 39% (source: Baker Hughes "North America Rotary Rig Count "), respectively, resulting in increased drilling activity and utilization for the first quarter of 2018 as compared to the same period in 2017. Revenue for the first quarter of 2018 was also impacted by improved customer pricing as compared to the same period in 2017. First quarter adjusted EBITDA increased to $2.3 million, as compared to $0.2 million in the same period of 2017, as a result of the increase in revenue and a lean cost structure in the U.S. due to our focus on reducing overhead costs and discretionary spending.

Strad's Canadian Operations reported a decrease in revenue, net income and adjusted EBITDA of 9%, 33% and 7%, respectively, during the three months ended March 31, 2018, compared to the same period in 2017. The decrease in revenue was a result of decreased surface equipment and matting utilization, which declined by 7% and 33%, respectively, as compared to the same period in 2017. The decline in utilization was the result of a slower start to the matting season due to colder weather. This was offset by continued improved customer pricing during the first quarter of 2018.

Revenue generated from Strad's energy infrastructure customer vertical decreased to $6.0 million during the first quarter of 2018 compared to $8.4 million in 2017. The decrease in energy infrastructure revenue is a result of colder weather in March 2018 as compared to 2017, resulting in delayed starts to matting jobs in Canada. The energy infrastructure customer vertical continued to be primarily driven by matting in Canada.

Strad's Product Sales reported a decline in revenue of 42%, as a result of lower third party sales and rental fleet sales which decreased to $0.1 and $0.9 million respectively, during the three months ending March 31, 2018, as compared to $0.5 million and $0.9 million during the same period in 2017.

During the first quarter of 2018, capital expenditures were $4.2 million in Canada, $0.4 million in Corporate and $0.2 million in the U.S. These were related primarily to wood matting additions in Canada, which were acquired to prepare for and to support Strad's energy infrastructure customer vertical during the upcoming 2018 matting season.

OUTLOOK

In the first quarter of 2018, trends experienced throughout 2017 largely continued. West Texas Intermediate (**"WTI"**) prices continued to improve, reaching levels not seen since 2014; an indicator that the North American energy sector continues to recover. However, conditions and sentiment remain very different in Canada versus the United States. In Canada, regulatory and political uncertainty continues to hamper any progress on take-away capacity issues which have led to muted capital expenditures from customers and concerns over the outlook of the industry. In the United States, progressive government policy has led to increases in operator investment and sentiment which we expect will continue throughout 2018.

The strength of our balance sheet allowed Strad to repurchase for cancellation over 1 million shares during the first quarter of 2018. Subsequent to the quarter, we repurchased an additional 1.5 million shares. As 2018 progresses, we will continue to examine and evaluate all options to create value for our shareholders.

A longer winter than historically experienced in Canada meant for a slower start to the matting season. As a result, matting utilization was lower than the same period in 2017. Despite weather related activity challenges, 2017 exit pricing was maintained during the period. We invested in our fleet in the quarter as part of our focus on growth in the energy infrastructure customer vertical and to meet customer demand throughout 2018.

Strad's U.S. Operations continued to improve reporting a decrease in net loss from $(2.2) million to $(0.1) million for the first quarter of 2018 compared to the same quarter in 2017. Adjusted EBITDA from the U.S. Operations has increased 27% from fourth quarter 2017 and 1,047% from the same period in 2017. The adjusted EBITDA increase is a result of improved customer pricing and higher drilling activity as rig counts in all three of the U.S. operating regions increased. Increased WTI prices and the largest corporate tax reduction in recent U.S. history have resulted in an improved investment climate. We expect our U.S. Operations to contribute to our fiscal 2018 results in a meaningful way.

Revenue from the energy infrastructure customer vertical contributed $6.0 million or 21% to total revenue, a decrease of $2.4 million from 2017. We continue focus on growing total revenue year-over-year from the energy infrastructure vertical to provide diversification and reduce reliance on drilling activity.

In the first quarter, we spent $4.8 million of the previously announced $8.0 million capital spending budget of which $4.0 million was directed towards the matting fleet, $0.4 million related to technology initiatives and the remaining $0.4 million related to other maintenance capital. We expect to evaluate the size of our capital program in 2018 as opportunities arise.

Balance sheet preservation and cost containment will remain top priorities in 2018. In order to maintain our relatively fixed cost structure we will be investing in technology to drive efficiencies throughout the organization. Our strong balance sheet and free cash flow allow Strad the flexibility to evaluate and pursue acquisitions or organic growth opportunities as they arise.

RESULTS OF OPERATIONS

Canadian Operations

($000's)	Three months ended March 31, 2018	2017	% chg.
Revenue	19,126	20,946	(9)%
Operating expenses	13,100	14,711	(11)%
Selling, general and administration	1,528	1,383	10%
Share based payments	55	84	
Net income (loss)	1,070	1,599	(33)%
Adjusted EBITDA[1]	4,443	4,768	(7)%
Adjusted EBITDA as a % of revenue	23%	23%	
Capital expenditures[2]	4,179	1,260	232%
Total assets	112,046	123,519	
Energy infrastructure revenue	5,250	6,510	(19)%
Energy infrastructure revenue as a % of revenue	27%	31%	
Equipment Fleet:			
Surface equipment fleet at period end[3]	4,200	4,100	2%
Average surface equipment fleet[4]	4,000	4,000	nm
Average utilization %[5]	38%	41%	
Matting fleet at period end[3]	71,800	64,700	11%
Average matting fleet[4]	68,000	58,800	16%
Average utilization %[5]	26%	39%	
Rig Counts [6]			
Western Canadian Basin	271	298	(9%)

Notes:

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

(3) Surface equipment and matting fleet balances are as at March 31, 2018 and 2017.

(4) Surface equipment and matting fleet balances are averages for the three months ended March 31, 2018 and 2017.

(5) Equipment utilization includes surface and matting equipment on rent only and is calculated using gross asset value.

(6) Source: Baker Hughes "North America Rotary Rig Count".

Revenue for the three months ended March 31, 2018, of $19.1 million decreased 9% compared to $20.9 million for the same period in 2017. Decreased revenue during the quarter was primarily a result of lower rig counts, which decreased by 9% year-over-year (source: Baker Hughes "North America Rotary Rig Count"). This led to decreased operating activity in the Western Canadian Sedimentary Basin (**"WCSB"**) and lower utilization rates for both matting and surface equipment, as compared to the same period in 2017. Further impacting the first quarter results was a slower start to the matting season as a result of colder weather. This was offset by improved customer pricing during the period.

During the first quarter, revenue from energy infrastructure projects was $5.3 million or 27% of total revenue for Canadian Operations as compared to $6.5 million or 31% of total Canadian Operations revenue in the first quarter of 2017. The overall decrease in revenue during the first quarter of 2018 is primarily due to a slower start to the matting season as a result of the longer winter, in addition to fewer energy infrastructure jobs carried over from the prior quarter, as compared to the same period in 2017.

During the first quarter, Strad's matting fleet increased to 71,800 mats at March 31, 2018, compared to 64,700 mats as at March 31, 2017. First quarter matting utilization decreased to 26% compared to 39% in the same period of 2017 due to the slower start to the matting season.

Adjusted EBITDA for the three months ended March 31, 2018, of $4.4 million, decreased 7% compared to $4.8 million for the same period in 2017. Adjusted EBITDA as a percentage of revenue, for the three months ended March 31, 2018, remained consistent at 23% as compared to the same period in 2017. The decrease in adjusted EBITDA is driven primarily by the decrease in revenue during the first quarter of 2018.

Operating expenses for the three months ended March 31, 2018, of $13.1 million decreased 11% compared to $14.7 million for the same period in 2017. The decrease in operating expenses for the first quarter of 2018, as compared to the first quarter of 2017, is due to a decrease in matting related service work.

Selling, general and administrative expenses ("**SG&A**") for the three months ended March 31, 2018, of $1.5 million increased 10% compared to $1.4 million for the same period in 2017. SG&A costs increased over the three months March 31, 2018, as a result of increased employees for 2018, resulting in increased costs related to salaries and benefits.

U.S. Operations

($000's)	Three months ended March 31, 2018	2017	% chg.
Revenue	8,275	5,066	63%
Operating expenses	4,734	3,952	20%
Selling, general and administration	1,221	896	36%
Share based payments	13	17	
Net loss	(112)	(2,207)	nm
Adjusted EBITDA(1)	2,306	201	1,047%
Adjusted EBITDA as a % of revenue	28%	4%	
Capital expenditures(2)	170	2,185	(92)%
Total assets	58,851	69,644	
Energy infrastructure revenue	145	439	(67)%
Energy infrastructure revenue as a % of revenue	2%	9%	
Equipment Fleet:			
Surface equipment fleet at period end(3)	2,000	2,000	nm
Average surface equipment fleet(4)	2,000	2,000	nm
Average utilization %(5)	46%	25%	
Matting fleet at period end(3)	17,400	17,900	nm
Average matting fleet(4)	18,300	15,700	17%
Average utilization %(5)	28%	18%	
Rig Counts (6)			
Bakken	49	37	32 %
Marcellus	78	63	24 %
Rockies	71	51	39 %

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures Reconciliations".

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

(3) Surface equipment and matting fleet balances are as at March 31, 2018 and 2017.

(4) Surface equipment and matting fleet balances are averages for the three months ended March 31, 2018 and 2017.

(5) Equipment utilization includes surface and matting equipment on rent only and is calculated using gross asset value.

(6) Source: Baker Hughes "North America Rotary Rig Count".

Revenue for the three months ended March 31, 2018, increased 63% to $8.3 million from $5.1 million for the same period in 2017. The increase in revenue is due to a combination of higher surface equipment and matting utilization rates and improved customer pricing resulting from increased drilling activity when compared to the same period in 2017. Average rig counts in the Bakken, Marcellus and Rockies regions increased by 32%, 24%, and 39%, respectively, during the first quarter of 2018 compared to the same period in 2017 (source: Baker Hughes "North America Rotary Rig Count").

During the first quarter, revenue from energy infrastructure projects was $0.1 million or 2% of total revenue for U.S. Operations, compared to $0.4 million or 9% in the same period of 2017. The decrease in revenue from energy infrastructure projects is primarily due to fewer projects in 2018 compared to the same period in 2017.

The U.S. average matting fleet increased to 18,300 mats for the three months ended March 31, 2018, compared to 15,700 mats for the same period in 2017. The increase of mats during 2018 was to support U.S. matting customers.

Adjusted EBITDA for the three months ended March 31, 2018, increased to $2.3 million compared to $0.2 million for the same period in 2017. Adjusted EBITDA as a percentage of revenue, for the three months ended March 31, 2018, was 28% compared to 4% for the same period in 2017. The significant increase in both adjusted EBITDA and adjusted EBITDA as a percentage of revenue is primarily due to higher revenue and a lean cost structure.

Operating expenses for the three months ended March 31, 2018, of $4.7 million, increased 20% as compared to $4.0 million for the same period in 2017. The increase in operating expenses during the three months ended March 31, 2018, is a result of increased activity levels due to the increase in average rig counts.

SG&A costs for the three months ended March 31, 2018, of $1.2 million increased 36% compared to $0.9 million for the same period in 2017. The change in SG&A expenses for the first quarter of 2018, is due to the increased head count for 2018, resulting in increased costs related to salaries and benefits.

Product Sales

	Three months ended March 31,		
($000's)	**2018**	**2017**	**% chg.**
Revenue	963	1,648	(42)%
Operating expenses	1,175	1,083	8%
Selling, general and administration	44	50	(12)%
Net loss	(157)	(270)	nm
Adjusted EBITDA[(1)]	(256)	515	(150)%
Adjusted EBITDA as a % of revenue	(27)%	31%	
Capital expenditures[(2)]	—	25	
Total assets	—	27	
Energy infrastructure revenue	588	1,459	(60)%

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures Reconciliations".

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

Product Sales are comprised of 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, 2018, decreased 42% to $1.0 million from $1.6 million for the same period in 2017, resulting from lower rental fleet sales and third party sales. During the three months ended March 31, 2018, Product Sales consisted of $0.9 million of rental fleet sales and $0.1 of third party equipment sales compared to $0.9 million and $0.5 million, respectively, in addition to $0.2 million of in-house product sales during the same period in 2017. In the fourth quarter of 2017, management made the decision to no longer manufacture in-house products.

During the first quarter, revenue from energy infrastructure projects was $0.6 million or 61% of total revenue compared to $1.5 million or 89% of total revenue in the same period of 2017. Product Sales vary from quarter to quarter and are dependent on project timing and customer demands.

Adjusted EBITDA for the three months ended March 31, 2018, decreased to a loss of $(0.3) million from $0.5 million for the same period in 2017. Adjusted EBITDA as a percentage of revenue, for the three months ended March 31, 2018, was (27)% compared to 31% for the same period in 2017. The decrease in adjusted EBITDA is due to decreased revenue for the three months ended March 31, 2018.

Operating expenses for the three months ended March 31, 2018, of $1.2 million increased 8% compared to $1.1 million for the same period in 2017. Operating expenses vary with individual transactions and business activity levels.

Corporate

SG&A 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 months ended March 31, 2018, were consistent at $1.0 million compared to the same period in 2017. Corporate costs for 2017 included one time acquisition related costs of $0.1 million, which did not occur in the first quarter of 2018. Corporate costs as a percentage of total revenue during the three months ended March 31, 2018, remained consistent at 3% compared to the same period in 2017.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment, intangible assets and other assets decreased to $5.4 million for the three months ended March 31, 2018, compared to $6.4 million for the same period in 2017. The decrease in depreciation expense was related to capital divestitures of $5.4 million in 2018 compared to $2.5 million in 2017. Further contributing to the decrease in depreciation year-over-year is that certain assets reached the end of their useful lives in 2018 and are no longer incurring depreciation as a result.

Interest and Finance Fees

Interest expense totaled $0.1 million for the three months ended March 31, 2018, compared to $0.4 million for the same period in 2017. The decrease in interest expense during 2018 is due to a lower average funded debt balance during the first three months of 2018 as compared to the same period of 2017, as well as lower interest rates year-over-year. Funded debt, as defined in the Company's credit facility agreement, for the three months ended March 31, 2018, was $8.5 million compared to $19.3 million for the same period in 2017.

(Gain) loss on Foreign Exchange

The loss on foreign exchange for the three months ended March 31, 2018, was $nil compared to a gain of $(0.1) million for the same period in 2017. 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 strengthened by 4% against the U.S. dollar over the past year (1 CAD = 0.78 USD as at March 31, 2018, compared to 1 CAD = 0.75 USD as at March 31, 2017).

Income Taxes

For the three months ended March 31, 2018, the Company recorded a loss before income taxes of $0.4 million and incurred deferred income tax expense of $38 thousand, compared to a deferred income tax expense of $0.1 million for the same period in 2017. 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 (11)% for the three months ended March 31, 2018, compared to (5)% for the same period in 2017.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
($000's, except per share amounts)	**Mar 31, 2018**	**Dec 31, 2017**	**Sep 30, 2017**	**Jun 30, 2017**
Revenue	28,364	27,522	33,923	28,494
Adjusted EBITDA[(1)]	5,516	5,169	9,418	5,591
Net income (loss)	(397)	(3,364)	598	(2,163)
Per share ($), basic	(0.01)	(0.06)	0.01	(0.04)
Per share ($), diluted	(0.01)	(0.06)	0.01	(0.04)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures Reconciliations".

	Three months ended			
($000's, except per share amounts)	**Mar 31, 2017**	**Dec 31, 2016**	**Sep 30, 2016**	**Jun 30, 2016**
Revenue	27,660	27,263	20,277	9,580
Adjusted EBITDA[(1)]	4,496	4,782	1,247	(1,983)
Net loss	(2,347)	(3,105)	(3,746)	(6,958)
Per share ($), basic	(0.04)	(0.06)	(0.09)	(0.19)
Per share ($), diluted	(0.04)	(0.06)	(0.09)	(0.19)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures Reconciliations".

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately 44% of Strad's gross capital assets are located in the U.S. Most regions in the U.S. do 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 and third quarter, and then decreases through the end of the year. However, energy infrastructure related projects have the potential to create more demand for matting during non-peak seasons as this customer vertical continues to grow but is largely dependent on project timing. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter, and then increases over the next two quarters.

The decline in revenue and the increase in net loss for the second quarter of 2016 was due to the significant decline in rig activity, equipment utilization and pricing experienced in both Canada and the U.S., as well as Product Sales. Commodity prices in 2016 were significantly lower, resulting in a severe decline in producer capital spending across North America.

The increase in revenue and net income for the third quarter of 2017 was due to significantly improved drilling activity across North America as a result of recovering commodity prices. This lead to improved customer pricing and utilization during the third quarter of 2017, which contributed to the improved results.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	**March 31, 2018**	**December 31, 2017**
Current assets	30,453	31,899
Current liabilities	14,100	12,282
Working capital[(1)]	16,353	19,617
Banking facilities		
Operating facility	1,669	—
Syndicated revolving facility	6,337	10,776
Total facility borrowings	8,006	10,776
Total credit facilities[(2)]	48,500	48,500
Unused credit capacity	40,494	37,724

Notes:

(1) *Working capital is calculated as current assets less current liabilities.*

(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 March 31, 2018, Strad had access to $48.5 million of credit facilities.*

As at March 31, 2018, working capital was $16.3 million compared to $19.6 million at December 31, 2017. The change in current assets is a result of a 1% increase in accounts receivable to $26.3 million for the first quarter of 2018 compared to $26.0 million for the fourth quarter of 2017. The increase in accounts receivable is due to the increase in U.S. operations revenue. At March 31, 2018, the Company had a net bank indebtedness position in current liabilities, as opposed to cash and cash equivalents in current assets at December 31, 2017, which led to a decrease in current assets, an increase in current liabilities and an overall decrease in working capital. Inventory decreased by 11% to $1.6 million at March 31, 2018, from $1.8 million at December 31, 2017. The decrease in inventory is in part due to management's decision to provide for inventory items no longer used in the normal course of business. The provision, of $0.2 million, was offset by purchases made throughout the first quarter of 2018 to support customer requirements. Prepaid expenses increased 6% at March 31, 2018, as compared to December 31, 2017. The increase in prepaids relates to the normal course of business.

The change in current liabilities is a result of a 3% increase in accounts payable and accrued liabilities to $12.2 million at March 31, 2018, compared to $11.9 million at year end. The increase in accounts payable is primarily due to the timing of payments made for the first quarter of 2018.

Cash flow from operating activities for the three months ended March 31, 2018, increased to $6.5 million compared to $3.5 million for the three months ended March 31, 2017, due to a lower net loss, which resulted from higher revenue. Funds from operations for the three months ended March 31, 2018, increased to $6.5 million compared to $5.5 million for the three months ended March 31, 2017. Capital expenditures totaled $4.8 million for the three months ended March 31, 2018. Strad's total facility borrowing decreased by $2.8 million for the first quarter ended March 31, 2018, compared to the fourth quarter of 2017. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

As at March 31, 2018, the Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $7.0 million CAD and $5.0 million USD, and a $36.5 million CAD 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 March 31, 2018, the Company had access to the maximum credit facilities. The syndicated banking facility will mature on September 29, 2020. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company's funded debt to covenant EBITDA ratio.

Based on the Company's funded debt to covenant EBITDA ratio, the interest rate on the syndicated credit facility is bank prime plus 0.5% on prime rate advances and at the prevailing rate plus a stamping fee of 1.50% on bankers' acceptances. For the three months ended March 31, 2018, the overall effective rates on the operating facility and revolving facility were 3.76% and 3.39%, respectively. As of March 31, 2018, $1.7 million was drawn on the operating facility and $6.3 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at March 31, 2018, the Company was in compliance with all of the financial covenants under its credit facilities.

The relevant definitions related to the 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.
- Covenant 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 covenant calculation.

Financial Debt Covenants	**As at March 31, 2018**	**As at December 31, 2017**
Funded debt to EBITDA ratio (not to exceed 3.0:1)		
Funded debt	8,494	9,768
Covenant EBITDA	26,294	25,339
Ratio	0.3	0.4
EBITDA to interest coverage ratio (no less than 3.0:1)		
Covenant EBITDA	26,294	25,339
Interest expense	936	1,225
Ratio	28.1	20.7

CONTRACTUAL OBLIGATIONS

The Company’s contractual obligations as at March 31, 2018, were as follows:

(000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4+ Years**
Finance leases	488	229	259	—
Operating leases	14,635	2,904	6,294	5,437
Total commitments	15,123	3,133	6,553	5,437

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

OUTSTANDING COMPANY SHARE DATA

	As of May 9, 2018
Common shares	57,330,230
Options	1,965,000
Fully diluted common shares	59,295,230

OFF BALANCE SHEET ARRANGEMENTS

As at March 31, 2018, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Executive Management loans

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

	March 31, 2018	For the period ended December 31, 2017
Opening balance	691	995
Repayment of share purchase loan	—	(304)
	691	691

Certain key management personnel have loans outstanding totaling $0.7 million from the Company. Proceeds of the loans were used to purchase common shares in the Company, which were then used to secure these loans. The loan balances are non-interest bearing for the first three years the loans are outstanding, unless further extensions are approved by the board. During the first quarter of 2018 an extension for the loans were approved by the board. After the interest waived period, 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.

For the period ended March 31, 2018, there were loan advances of $nil made to key management (year-ended December 31, 2017 - $nil) and $nil of shareholder loans were settled (year-ended December 31, 2017 - $0.3 million).

For the period ended March 31, 2018, interest of $nil was charged by the Company on loans to key management (year-ended December 31, 2017 - $nil) and interest repayments of $nil were received (year-ended December 31, 2017 – $nil).

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 experience and industry practice, 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.

The Company used an option pricing model such as the Black-Scholes model to determine the fair value of certain share-based payments. The inputs to these models are based on various estimates such as volatility, dividend yield, interest rates and the expected term. The Company uses historical informational trends to determine the best estimates to use. Management reviews these estimates for each new award granted.

Inventory is to be carried at the lower of cost and net realizable value. Management regularly reviews the estimates associated with net realizable value, which is the selling price prevailing in the market, less any costs to sell. Significant changes in economic and business conditions could impact the timing and magnitude of impairment charges in inventory.

The Company makes estimates of the fair value of assets and liabilities assumed in a business combination, which includes estimates of the fair value of property, plant and equipment, working capital, debt, and obligations under capital leases.

The Company makes estimates when determining the recoverable amount of assets subject to impairment testing. The recoverable amount of assets 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 estimates regarding projected future sales, earnings, capital investment and, discount rates. Fair value less costs of disposal requires management to make estimates of future sales, earnings and capital investment, discount rates, and capitalization rates, as well as estimations of costs to sell. The estimates are reviewed each time an impairment calculation is required.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. 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. Management reviews current and potential changes to tax law and bases estimates on the most relevant information available.

When there is objective evidence that the full collection of accounts receivable is unlikely, Management will estimate the most likely amount to be recovered. Amounts estimated are based on the best available information at the time the estimate is made.

New standards, amendments and interpretations issued:

a. IFRS 9 "Financial Instruments"

On January 1, 2018, the Company adopted IFRS 9, “Financial Instruments” ("**IFRS 9**"), which was issued by the IASB on July 24, 2014 to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." This standard was adopted by the Company retrospectively without requiring restatement of prior year balances.

Classification of financial assets

Under IFRS 9, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("**OCI**"), or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The assets, including cash and cash equivalents, that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit and loss.

Impairment of financial assets

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

On that basis the loss allowance as at January 1, 2018 was determined as follows for trade receivables:

January 1, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.35%	0.74%	2.08%	5.23%	
Gross carrying amount	15,219,830	6,081,143	3,282,565	2,114,997	26,698,535
Loss allowance	53,269	45,000	68,277	110,614	277,160
Loss allowance based on specific customers	—	—	—	383,683	383,683
Total loss allowance	53,269	45,000	68,277	494,297	660,843

The loss allowances for trade receivables as at December 31, 2017 reconcile to the total opening loss allowances noted in the table above.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgment in making these assumptions and selecting inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table above.

b. *IFRS 15 "Revenue From Contracts With Customers"*

On January 1, 2018 the Company adopted IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"), which was issued on May 28, 2014 to replace IAS 11 "Construction contracts", IAS 18 "Revenue" and several revenue-related interpretations. The Company has adopted the new standard using the modified retrospective approach. As such, the Company has used the practical expedient not to restate the contracts which were considered completed contracts at the beginning of the earliest period presented.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Classification of Revenue

(i) Services:

The Company performs services based upon service orders with customer that include fixed prices based upon job rates. Revenue is recognized when the service has been provided in accordance wit the agreed arrangement, the rate is fixed and determinable, and the collection of the amounts owed to the Company is considered probable. Service work performed by the Company can include, but are not limited to transportation, cleaning services and maintenance.

(ii) Sale of goods:

Revenue for the sale of goods (inventories or rental assets) is recognized when it is probable that the economic benefits will flow to the Company, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer. Depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained when delivery has occurred.

Future accounting policy and disclosures

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "*Revenue From Contracts With Customers*" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 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 (i) material information relating to the Company is made known to the Corporation's Chief Executive Officer and Chief Financial Officer by others, particularly during the period of time in which the annual and interim filings are being prepared; and (ii) 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 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, 2018, 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. These risks and uncertainties have not materially changed from those described in detail in Strad's most recent Annual Information Form, filed March 27, 2018, 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, including its 2018 capital budget, planned allocations of capital expenditures, and funding thereof, by way of cash flow, anticipated cash flow, debt, anticipated demand for the Company's products and services in 2018, and anticipated revenue allocations amongst our service offerings, drilling activity in North America, pricing of the Company's products and services, and expectations for 2018 and potential for improved profitability, and the potential for growth and expansion of certain components of the Company's business, including further additions to our matting fleet, 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 AND RECONCILIATIONS

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 construed as alternative measures to IFRS measures, and they may not be consistent with calculations of other companies. These measures are further explained below.

Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS. Management believes that in addition to net income (loss), 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 (loss) plus interest, finance fees, taxes, depreciation and amortization, loss on disposal of property, plant and equipment, loss on foreign exchange, 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. The Company's method of calculating adjusted EBITDA may differ from that of other organizations and, accordingly, its adjusted EBITDA may not be comparable to that of other companies.

Funds from operations are cash flow from operating activities excluding changes in non-cash working capital. Funds from operations is a non-IFRS measure commonly used in the energy industry to assist in measuring a company's ability to finance its capital programs, debt repayments and other financial obligations. Funds from operations is not intended to represent net cash generated from operating activities or other measures of financial performance in accordance with IFRS. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities. Working capital, cash forecasting, and banking facilities are used by Management to ensure funds are available to finance growth opportunities.

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

Reconciliation of Funds from Operations

($000's)

	Three months ended March 31, 2018	2017
Net cash generated from operating activities	$ 6,479	$ 3,541
Less:		
Changes in non-cash working capital	8	(1,986)
Funds from Operations	6,471	5,527

Reconciliation of adjusted EBITDA

($'000's)

	Three months ended March 31, 2018	2017
Net loss:	(397)	(2,347)
Add (deduct):		
Depreciation and amortization	5,432	6,383
Loss (gain) on disposal of PP&E	253	(78)
Income tax expense	38	116
Financing fees	44	73
Interest expense	146	436
Gain on foreign exchange	—	(87)
Adjusted EBITDA	5,516	4,496

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

	Three months ended			
	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Net income (loss):	$ (397)	$ (3,364)	$ 598	$ (2,163)
Add (deduct):				
Depreciation and amortization	5,432	8,918	7,359	7,572
Loss (gain) on disposal of PP&E	253	16	(6)	(150)
Income tax (recovery) expense	38	(653)	1,123	(102)
Financing fees	44	89	58	73
Interest expense	146	69	301	419
Loss (gain) on foreign exchange	—	94	(15)	(58)
Adjusted EBITDA	5,516	5,169	9,418	5,591

	Three months ended			
	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Net loss:	$ (2,347)	$ (3,105)	$ (3,746)	$ (6,958)
Add (deduct):				
Depreciation and amortization	6,383	7,610	4,930	4,516
Gain on disposal of PP&E	(78)	(105)	(35)	(268)
Income tax (recovery) expense	116	(199)	(281)	520
Financing fees	73	43	44	47
Interest expense	436	415	318	157
Loss (gain) on foreign exchange	(87)	123	17	3
Adjusted EBITDA	4,496	4,782	1,247	(1,983)

Reconciliation of funded debt
($'000's)

	Three months ended March 31, 2018	Year-ended December 31, 2017
Bank indebtedness (cash) at syndicate banks	1,669	(1,626)
Long term debt	6,337	10,776
Current and long term obligations under finance lease	488	618
Funded Debt	8,494	9,768