MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of August 8, 2017, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company")**. This MD&A discusses the operating and financial results for the three and six months ended June 30, 2017, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Strad for the three and six months ended June 30, 2017, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2016. 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 six months ended June 30, 2017, may be found under the Company's profile on the System for Electronic Document Analysis and Retrieval **("SEDAR")** at www.sedar.com.

SECOND QUARTER SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Revenue of $28.5 million increased 197% compared to $9.6 million for the same period in 2016;
- Adjusted EBITDA(1) of $5.6 million compared to $(2.0) million for the same period in 2016;
- Net loss and loss per share was $(2.2) million and $(0.04), respectively, compared to $(7.0) million and $(0.19) for the same period in 2016;
- Revenue from the energy infrastructure customer vertical for the three months ended June 30, 2017, increased to $11.0 million or 168% from $4.1 million from the same period in 2016.
- Increased the 2017 capital budget by $11.0 million to $26.0 million to support demand for Strad's wood matting fleet;
- Capital additions totaled $6.3 million during the second quarter of 2017; and
- Total funded debt(2) to EBITDA(3) ratio was 1.2 to 1 at the end of the second quarter of 2017 compared to 1.8 to 1 at the end of the first quarter of 2017.

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) Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
(3) EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional charges.

SECOND QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	% chg.	2017	2016	% chg.
Revenue	28,494	9,580	197	56,154	24,838	126
Adjusted EBITDA(1)	5,591	(1,983)	382	10,087	(1,585)	736
Adjusted EBITDA as a % of revenue	20%	(21)%		18%	(6)%	
Per share ($), basic	0.10	(0.05)	300	0.17	(0.04)	525
Per share ($), diluted	0.10	(0.05)	300	0.17	(0.04)	525
Net loss	(2,163)	(6,958)	69	(4,512)	(9,952)	55
Per share ($), basic	(0.04)	(0.19)	79	(0.08)	(0.27)	70
Per share ($), diluted	(0.04)	(0.19)	79	(0.08)	(0.27)	70
Funds from operations(2)	6,076	(779)		11,603	976	
Per share ($), basic	0.10	(0.02)	600	0.20	0.03	567
Per share ($), diluted	0.10	(0.02)	600	0.20	0.03	567
Capital expenditures(3)	6,264	235		9,734	656	
Total assets	191,174	142,257	34	191,174	142,257	34
Long-term debt	20,951	9,000	133	20,951	9,000	133
Total long-term liabilities	32,979	15,842	108	32,979	15,842	108
Common shares - end of period ('000's)	60,013	37,280		60,013	37,280	
Weighted avg common shares ('000's)						
Basic	58,059	36,946		57,669	36,945	
Diluted	58,059	36,946		57,669	36,945	

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 excluding changes in non-cash working capital. Funds from operations is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation". Prior period comparative funds from operations have amounts that were reclassified to conform to the current presentation of the interim consolidated statement of cash flows.*

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

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of 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 pipelines, power transmission and facilities construction. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin (**"WCSB"**) into resource plays in the United States (**"U.S."**), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, and selected areas within the western United States Rockies. As of June 30, 2017, the Company has 24 operating locations throughout North America.

SECOND QUARTER RESULTS

Strad reported an increase in revenue and adjusted EBITDA of 197% and 382%, respectively during the three months ended June 30, 2017, compared to the same period in 2016. Strad's second quarter results were driven by increased drilling activity in the WCSB and Strad's U.S. operating regions which resulted in higher revenue due to increased utilization of our surface equipment and matting fleets in both countries along with improved customer pricing, particularly in Canadian matting, compared to the same period in 2016. In addition, revenue generated from Strad's energy infrastructure customer vertical increased to $11.0 million during the second quarter and continued to be primarily driven by matting in Canada compared to $4.1 million in the same period in 2016. Adjusted EBITDA margin percentage increased to 20% compared to (21)% in the prior year, due to increased revenue and a relatively fixed cost structure.

Strad's Canadian Operations reported an increase in revenue and adjusted EBITDA of 297% and 1,155%, respectively, during the three months ended June 30, 2017, compared to the same period in 2016. Increased revenue was a result of higher drilling activity and more energy infrastructure projects throughout the second quarter, which resulted in a corresponding increase in surface equipment and matting utilization. Revenue gains were impacted by improved matting and surface equipment customer pricing during the second quarter of 2017 compared to the same period in 2016. Revenue was also impacted by an increase in the surface equipment fleet due to the acquisitions completed in the third quarter of 2016 and the first quarter of 2017, as well as an increase in the matting fleet year-over-year due to organic growth and the acquisition of Got Mats? in the first quarter of 2017.

Strad's U.S. Operations reported an increase in revenue of 149% and an increase in adjusted EBITDA of 150% compared to the same period in 2016. Rig counts in all three of Strad's targeted U.S. resource plays were higher during the second quarter of 2017 compared to the same period in 2016. Rig counts in the Bakken, Rockies and Marcellus regions increased by 80%, 130%, and 89%, respectively resulting in increased utilization for the second quarter of 2017 as compared to the same period in 2016. Second quarter results were also impacted by a reduced cost structure in the U.S. due to our focus on reducing overhead costs and discretionary spending.

Strad's Product Sales reported an increase in revenue of 36%, primarily the result of increased in-house manufactured equipment sales and rental fleet sales which increased to $2.1 million and $0.9 million, respectively, during the three months ending June 30, 2017, as compared to $0.1 million and $0.2 million during the same period in 2016. This was offset by a decrease in third party equipment sales of $nil for the second quarter of 2017 as compared to $1.9 million in third party equipment sales in the same period of 2016.

During the second quarter of 2017, capital expenditures were $5.8 million in Canada and $0.5 million in the U.S. Capital expenditures related primarily to wood matting additions in Canada to support Strad's energy infrastructure customer vertical.

OUTLOOK

We continued to see a year-over-year improvement in our financial performance as our results were impacted by a number of different variables including increased utilization, improved customer pricing and a significant revenue contribution from our energy infrastructure customer vertical.

Increased demand for our services in the WCSB during the quarter was attributable to increased average rig counts of 298 compared to 158 in the prior year, the addition of Redneck Oilfield Services Ltd. which expanded our equipment offering in western Canada and wet weather conditions which resulted in an early start to our matting season and an increase in utilization during the quarter, compared to the prior year.

In Canada, significantly higher demand for matting from both of our customer verticals, along with a period of under investment in new matting product by most matting providers, lead to favorable supply and demand market conditions during the second quarter which translated into a marked improvement in our average matting prices beyond the double digit increases we disclosed previously. Providing the recent volatility in commodity prices does not alter our customers' 2017 capital programs, we should continue to see similar utilization levels in the third quarter on an expanded matting fleet as a result of the addition of Got Mats? and capital spending during the second quarter. We anticipate deploying the additional $11.0 million of capital throughout the remainder of 2017 to support our matting business and our energy infrastructure customer vertical.

Second quarter results in our U.S. Operations improved significantly compared to the prior year, due to higher rig counts in the regions in which we operate. Stronger demand for our products and services in the U.S. during the quarter continued to support our strategy of increasing our prices in certain product lines and operating regions. We have realized modest pricing gains during the first half of 2017 notwithstanding those gains are being made on historically low pricing levels for our Company. For the remainder of 2017, we expect to see continued improvement in our U.S. operations results based on the current level of demand for our products and services.

During the second quarter, we continued to execute on our strategic priorities being continued growth of the energy infrastructure customer vertical, continued focus on increasing our size and scale and maintaining our lean cost structure. Revenue generated by energy infrastructure customers continued to increase accounting for 38% of total revenue, 43% of Canadian Operations revenue, 16% of U.S. Operations revenue and 57% of Product Sales revenue during the second quarter.

We continued to focus on growing our size and scale through organic growth with $4.6 million of the $6.3 million capital spending being allocated primarily to our Canadian matting fleet to meet strong demand. We plan to continue investing in our matting fleet throughout the remainder of 2017 to meet customer demand primarily in our energy infrastructure customer vertical.

Looking ahead to the remainder of 2017, we expect activity levels to continue to trend higher year-over-year despite the recent volatility in oil prices, providing our customers execute their remaining 2017 capital programs. We see demand for our Canadian matting fleet continuing to be strong during the third quarter as additional energy infrastructure projects begin in the summer months. We anticipate demand for our Canadian surface equipment to remain steady over the second half of 2017. In the U.S., we expect to see a slower and steady improvement in our results over the remainder of 2017 as pricing increases begin to take effect. We will continue our focus on increasing prices for our products and services where we can and managing our lean cost structure to ensure the efficiencies we gained over the past two years are maintained as activity levels increase and drive margin improvement.

RESULTS OF OPERATIONS

Canadian Operations

($000's)	Three months ended June 30, 2017	2016	% chg.	Six months ended June 30, 2017	2016	% chg.
Revenue	19,208	4,833	297	40,154	13,408	199
Operating expenses	12,751	4,018	217	27,462	9,832	179
Selling, general and administration	1,336	1,269	5	2,719	2,326	17
Share based payments	64	25		148	44	
Net income (loss)	1,532	(693)	321	3,131	(253)	1,338
Adjusted EBITDA[1]	5,055	(479)	1,155	9,824	1,206	715
Adjusted EBITDA as a % of revenue	26%	(10)%		24%	9%	
Capital expenditures[2]	5,776	27		7,036	110	
Gross capital assets	162,085	112,048	45	162,085	112,048	45
Total assets	122,561	68,514	79	122,561	68,514	79
Equipment Fleet:						
Surface equipment	4,000	2,590	54	4,000	2,590	54
Utilization %[3]	28%	12%		34%	16%	
Matting	63,800	45,800	39	63,800	45,800	39
Utilization %	63%	25%		52%	30%	

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.

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

Revenue for the three months ended June 30, 2017, of $19.2 million increased 297% compared to $4.8 million for the same period in 2016. Increased revenue during the quarter was primarily a result of higher utilization in matting and surface equipment as compared to the second quarter of 2016. The increase in utilization is primarily the result of the increase in rig counts, which increased by approximately 140%, during the three months ended June 30, 2017. In addition, revenue increased in part to the acquisitions that occurred in the third quarter of 2016 (Redneck acquisition) and first quarter of 2017 (Got Mats? acquisition). Lastly, contributing to the increase in revenue was an increase in customer pricing for the three months ended June 30, 2017, as compared to the same period in 2016.

During the second quarter, revenue from energy infrastructure projects was approximately $8.2 million or 43% of total revenue for Canadian Operations as compared to $2.5 million or 52% of total Canadian Operations revenue in the second quarter of 2016. The primary driver for the increase in energy infrastructure revenue is a result of more projects as compared to the prior year, and higher matting customer pricing as compared to the second quarter of 2016.

During the second quarter, Strad's matting fleet increased to approximately 63,800 mats at June 30, 2017, compared to approximately 45,800 mats as at June 30, 2016. A portion of the increase was due to the Got Mats? acquisition that was completed in February 2017, as well as increased capital spending during the third quarter of 2016 and the second quarter of 2017. Matting utilization increased by 152% during the second quarter of 2017, compared to the second quarter of 2016, due to the increase in energy infrastructure projects and the higher drilling activity during the second quarter of 2017. During the second quarter, Strad's surface equipment fleet increased to approximately 4,000 pieces, compared to approximately 2,590 pieces as at June 30, 2016. A key driver of the increase in fleet size was the Redneck acquisition in the third quarter of 2016 and modest capital expenditures during the six months ended June 30, 2017. Surface equipment utilization increased by 133% during the second quarter of 2017, compared to the same period in 2016, due primarily to the increase in drilling activity.

Adjusted EBITDA for the three months ended June 30, 2017, of $5.1 million, increased 1,155% compared to $(0.5) million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the three months ended June 30, 2017, increased to 26% compared to (10)% for the same period in 2016. The increase in EBITDA is driven primarily by the increase in revenue during the second quarter of 2017 as well as a relatively fixed cost structure.

Revenue for the six months ended June 30, 2017, of $40.2 million increased 199% compared to $13.4 million for the same period in 2016. Increased drilling activity and energy infrastructure projects were the primary drivers of increased revenue year-over-year.

During the six months ended June 30, 2017, revenue from energy infrastructure projects was approximately $14.8 million or 37% of total revenue for Canadian Operations as compared to $6.7 million or 50% of total Canadian Operations revenue in the same period of 2016. Increased pricing and an earlier start to the matting season for energy infrastructure projects are the primary drivers of increased revenue year-over-year.

Adjusted EBITDA for the six months ended June 30, 2017, of $9.8 million, increased 715% compared to $1.2 million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the six months ended June 30, 2017, increased to 24% compared to 9% for the same period in 2016.

Operating expenses for the three and six months ended June 30, 2017, of $12.8 million and $27.5 million increased 217% and 179% compared to $4.0 million and $9.8 million for the same period in 2016. The increase in operating expenses during the first six months of 2017 is a result of increased activity levels, utilization rates, and fleet size, as well as an increase in third party expenses, as compared to the same period in 2016. The increase in overall expenses is consistent with the increase in drilling activity and energy infrastructure projects throughout the first half of 2017.

Selling, general and administrative costs (**"SG&A"**) for the three and six months ended June 30, 2017, of $1.3 million and $2.7 million, respectively, increased 5% and 17% compared to $1.3 million and $2.3 million for the same period in 2016. SG&A costs increased over the three and six months as a result of the third quarter 2016 Redneck acquisition and first quarter 2017 acquisition of Got Mats?.

U.S. Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2017**	**2016**	**% chg.**	**2017**	**2016**	**% chg.**
Revenue	6,252	2,515	149	11,318	7,301	55
Operating expenses	4,766	2,314	106	8,718	6,444	35
Selling, general and administration	861	1,420	(39)	1,757	2,508	(30)
Share based payments	15	13		32	17	
Net income	(4,411)	(7,169)	38	(6,618)	(9,079)	27
Adjusted EBITDA(1)	610	(1,232)	150	811	(1,668)	149
Adjusted EBITDA as a % of revenue	10%	(49)%		7%	(23)%	
Capital expenditures(2)	488	143		2,673	439	
Gross capital assets	134,972	141,966	(5)	134,972	141,966	(5)
Total assets	67,188	72,825	(8)	67,188	72,825	(8)
Equipment Fleet:						
Surface equipment	2,040	2,010		2,040	2,010	
Utilization %(3)	25%	13%		25%	17%	
Matting	17,650	13,220	34	17,650	13,220	34
Utilization %(3)	29%	12%		24%	16%	

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.

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

Revenue for the three months ended June 30, 2017, increased 149% to $6.3 million from $2.5 million for the same period in 2016. The increase in revenue is due to a combination of higher surface equipment and matting utilization rates and modestly higher customer pricing resulting from increased drilling activity when compared to the same period in 2016. Average rig counts in the Bakken, Rockies and Marcellus regions increased by 80%, 130%, and 89%, respectively, during the second quarter of 2017 compared to the same period in 2016.

During the second quarter, revenue from energy infrastructure projects was $1.0 million or 16% of total revenue for U.S. Operations compared to $nil in the same period of 2016.

The U.S. matting fleet increased to 17,650 mats as at June 30, 2017, compared to 13,220 mats as at June 30, 2016. The addition of mats during the first half of 2017 was to support the increase in U.S. energy infrastructure customers. The U.S. surface equipment fleet increased slightly by 30 pieces of equipment to 2,040 pieces as at June 30, 2017, compared to 2,010 pieces as at June 30, 2016.

Adjusted EBITDA for the three months ended June 30, 2017, increased to $0.6 million compared to $(1.2) million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the three months ended June 30, 2017, was 10% compared to (49)% for the same period in 2016. The increase in both adjusted EBITDA and adjusted EBITDA as a percentage of revenue is primarily due to increased drilling activity levels which resulted in higher utilization and modestly improved customer pricing in the second quarter of 2017 compared to the same period of 2016.

Revenue for the six months ended June 30, 2017, increased 55% to $11.3 million from $7.3 million for the same period in 2016. The increase in revenue for the six months ended June 30, 2017 can be attributed to higher surface equipment and matting utilization rates due to increased drilling activity levels across all of our U.S. operating regions and modestly higher customer pricing as compared to the same period in 2016. In addition, energy infrastructure revenue as a percentage of total revenue increased to $1.5 million or 13% during the six months ended June 30, 2017 compared to $nil in the same period of 2016.

Adjusted EBITDA for the six months ended June 30, 2017, increased to $0.8 million compared to $(1.7) million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the six months ended June 30, 2017, was 7% compared to (23)% for the same period in 2016. The increase in both adjusted EBITDA and adjusted EBITDA as a percentage of revenue is primarily due to the increase in revenue during the first six months of 2017 in addition to lower fixed costs.

Operating expenses for the three and six months ended June 30, 2017, of $4.8 million and $8.7 million, respectively, increased 106% and 35% compared to $2.3 million and $6.4 million for the same period in 2016. The increase in operating expenses during the first six months of 2017 is a result of increased activity levels.

SG&A costs for the three and six months ended June 30, 2017, of $0.9 million and $1.8 million decreased 39% and 30% compared to $1.4 million and $2.5 million for the same period in 2016. The decrease in SG&A expenses is due to cost reductions implemented by management including staff reductions and reductions in discretionary spending.

Product Sales

	Three months ended June 30,			**Six months ended June 30,**		
($000's)	**2017**	**2016**	**% chg.**	**2017**	**2016**	**% chg.**
Revenue	3,034	2,232	36	4,682	4,129	13
Operating expenses	1,991	1,616	23	3,074	3,461	(11)
Selling, general and administration	49	21	133	99	22	350
Net income (loss)	(4)	(252)	98	(274)	(546)	50
Adjusted EBITDA(1)	994	595	67	1,509	646	134
Adjusted EBITDA as a % of revenue	33%	27%		32%	16%	
Capital expenditures(2)	—	—	—	25	—	—
Total assets	34	52	(35)	34	52	(35)

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 June 30, 2017, increased 36% to $3.0 million from $2.2 million for the same period in 2016, resulting primarily from higher in-house manufactured equipment sales. During the three months ended June 30, 2017, Product Sales consisted of $2.1 million of in-house manufactured products and $0.9 million of rental fleet sales compared to $0.1 million and $0.2 million, respectively, as well as $1.9 million of third party equipment sales during the same period in 2016.

During the second quarter, revenue from energy infrastructure projects was $1.8 million or 57% of total revenue compared to $1.6 million or 71% of total revenue in the same period of 2016.

Adjusted EBITDA for the three months ended June 30, 2017, increased to $1.0 million from $0.6 million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the three months ended June 30, 2017, was 33% compared to 27% for the same period in 2016. Adjusted EBITDA has increased more than revenue on a percentage basis, primarily as a result of lower fixed costs related to the manufacturing facility for the three months ended June 30, 2017, as compared to the same period in 2016.

Revenue for the six months ended June 30, 2017, increased 13% to $4.7 million from $4.1 million for the same period in 2016, resulting primarily from higher in-house manufactured equipment sales. Sales of Strad's rental fleet equipment fluctuate quarter-over-quarter and are primarily dependent on strategic opportunities to monetize underutilized rental assets.

During the six months ended June 30, 2017, revenue from energy infrastructure projects was $3.1 million or 67% of total revenue compared to $2.9 million or 70% of total revenue in the same period of 2016.

Adjusted EBITDA for the six months ended June 30, 2017, increased to $1.5 million from $0.6 million for the same period in 2016. Adjusted EBITDA as a percentage of revenue, for the six months ended June 30, 2017, was 32% compared to 16% for the same period in 2016.

Operating expenses for the three and six months ended June 30, 2017, of $2.0 million and $3.1 million increased 23% and decreased 11% compared to $1.6 million and $3.5 million for the same period in 2016. 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 and six months ended June 30, 2017, were $1.1 million and $2.1 million compared to $0.9 million and $1.7 million for the same period in 2016. Corporate costs as a percentage of total revenue during the three months ended June 30, 2017, were 3% compared to 10% in the comparable period. Acquisition related transaction costs of $0.1 million were incurred during the six months ended June 30, 2017.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment, intangible assets and long term assets increased to $7.6 million and $14.0 million for the three and six months ended June 30, 2017, compared to $4.5 million and $9.7 million for the same period in 2016. The increase in depreciation expense was related to an increase in capital assets acquired through the acquisitions in 2016 and 2017 and during the normal course of business, as well as $1.0 million in additional depreciation expense to fully amortize assets that are no longer in use.

Interest and Finance Fees

Interest expense totaled $0.4 million and $0.9 million for the three and six months ended June 30, 2017, compared to $0.2 million and $0.4 million for the same period in 2016. The increase in interest expense is due to a higher average funded debt balance during the first six months of 2017 and higher interest rates during the covenant waiver period in the first quarter of 2017. Average funded debt for the six months ended June 30, 2017, was $21.1 million compared to $10.2 million for the same period in 2016.

Gain on Foreign Exchange

Gain on foreign exchange for the three and six months ended June 30, 2017, was $0.1 million and $0.1 million compared to $nil and $0.4 million for the same period in 2016. 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 was consistent with June 2016 at 0.77 USD (1 CAD = 0.77 USD as at June 30, 2017, compared to 1 CAD = 0.77 USD as at June 30, 2016).

Income Taxes

For the six months ended June 30, 2017, the Company recorded a loss before income taxes of $4.5 million and incurred current income tax expense of $nil and deferred income tax expense of $14 thousand, compared to a current tax recovery of $1.1 million and a deferred income tax expense of $0.2 million for the same period in 2016. 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 (0.3)% for the six months ended June 30, 2017, compared to 8% for the same period in 2016.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
($000's, except per share amounts)	**Jun 30, 2017**	**Mar 31, 2017**	**Dec 31, 2016**	**Sep 30, 2016**
Revenue	28,494	27,660	27,263	20,277
Adjusted EBITDA[(1)]	5,591	4,496	4,782	1,247
Net loss	(2,163)	(2,347)	(3,105)	(3,746)
Per share ($), basic	(0.04)	(0.04)	(0.06)	(0.09)
Per share ($), diluted	(0.04)	(0.04)	(0.06)	(0.09)

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".

	Three months ended			
($000's, except per share amounts)	**Jun 30, 2016**	**Mar 31, 2016**	**Dec 31, 2015**	**Sep 30, 2015**
Revenue	9,580	15,258	21,972	25,299
Adjusted EBITDA[(1)]	(1,983)	398	2,500	4,021
Net loss	(6,958)	(2,994)	(8,316)	(20,362)
Per share ($), basic	(0.19)	(0.08)	(0.23)	(0.55)
Per share ($), diluted	(0.19)	(0.08)	(0.23)	(0.55)

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".

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 and third quarter and then decreases through the end of the year. However, energy infrastructure related projects create more demand during the first and fourth quarters which will result in higher demand for matting during non-peak seasons as this customer vertical continues to grow. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters.

LIQUIDITY AND CAPITAL RESOURCES

($000's)		June 30, 2017		December 31, 2016
Current assets	$	37,291	$	31,852
Current liabilities		13,862		16,216
Working Capital[(1)]		23,429		15,636
Banking facilities				
Operating facility		—		1,478
Syndicated revolving facility		20,951		26,501
Total facility borrowings		20,951		27,979
Total credit facilities[(2)]		48,500		48,500
Unused credit capacity		27,549		20,521

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 June 30, 2017, Strad had access to $48.5 million of credit facilities.*

As at June 30, 2017, working capital was $23.4 million compared to $15.6 million at December 31, 2016. The change in current assets is a result of a 20% increase in accounts receivable to $29.4 million for the second quarter of 2017 compared to $24.4 million for the fourth quarter of 2016. The increase in accounts receivable is due to an increase in matting and surface equipment related revenue, as well as delays in customer payments during the second quarter as compared to the fourth quarter of 2016. Inventory decreased by 5% to $3.7 million at June 30, 2017, from $3.9 million at December 31, 2016, and prepaid expenses decreased 24% to $0.8 million at June 30, 2017 from $1.1 million at December 31, 2016. The decrease in inventory and prepaids relates to the normal course of business.

The change in current liabilities is a result of a 5% decrease in accounts payable and accrued liabilities to $13.1 million at June 30, 2017, compared to $13.9 million at year end. Bank indebtedness decreased to $nil at the end of the second quarter compared to bank indebtedness of $1.5 million for the fourth quarter of 2016.

Funds from operations for the three months ended June 30, 2017, increased to $6.1 million compared to $(0.8) million for the three months ended June 30, 2016. Capital expenditures totaled $6.3 million for the three months ended June 30, 2017. Strad's total facility borrowing decreased by $7.0 million for the three months ended June 30, 2017, compared to the fourth quarter of 2016. 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 June 30, 2017, 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 June 30, 2017, the Company had access to the maximum 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 29, 2018.

Based on the Company's current credit facility, the interest rate on the syndicated credit facility is bank prime plus 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. For the three months ended June 30, 2017, the overall effective rates on the operating facility and revolving facility were 6.19% and 5.32%, respectively. As of June 30, 2017, $nil was drawn on the operating facility and $21.0 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at June 30, 2017, 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 June 30, 2017**		**As at December 31, 2016**
Funded debt to EBITDA ratio (not to exceed 5.5:1)				
Funded debt	$	21,143	$	29,025
EBITDA		18,320		9,119
Ratio		1.2		3.2
EBITDA to interest coverage ratio (no less than 2.50:1)				
EBITDA	$	18,320	$	9,119
Interest expense		1,694		1,557
Ratio		10.8		5.9

CONTRACTUAL OBLIGATIONS

The Company’s contractual obligations as at June 30, 2017, were as follows:

(000's)		**Total**		**1 Year or Less**		**2-3 Years**		**4+ Years**
Finance leases	$	1,057	$	486	$	484	$	87
Operating leases		16,544		2,286		6,903		7,355
Total commitments		17,601		2,772		7,387		7,442

All of the Company’s contractual obligations range from less than one year to 7 years.

On July 11, 2017, the Company and its directors announced that the plaintiffs in the proposed class action proceeding previously filed in the Alberta Court of Queen's Bench (the "Action"), which was previously disclosed in the Company's MD&A, have filed a discontinuance of the Action against all defendants named in the Action including the Company and certain of its current and former directors on a without costs basis. The discontinuance was filed with the Court without any admission of liability or wrongdoing on the part of the defendants and no settlement proceeds have been paid or are payable by the Company or the individual defendants in the Action.

OUTSTANDING COMPANY SHARE DATA

	As of August 8, 2017
Common shares	60,012,740
Options	2,069,337
Fully diluted common shares	62,082,077

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2017, 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	
	June 30, 2017	December 31, 2016
Opening balance	$ 995	$ 993
Share purchase loans issued	—	159
Repayment of share purchase loan	—	(157)
	995	995

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, which were then used to secure these loans. 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.

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 historic 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, market rental rates for comparable properties, recoverable operating costs for leases with tenants, non-recoverable operating costs, discount rates, capitalization rates, and terminal 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.

Future accounting policy and disclosures

On July 24, 2014, the IASB issued the complete IFRS 9, "*Financial Instruments*" ("IFRS 9") to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements. The extent of the impact of adoption of the standard has not yet been determined.

On May 28, 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 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. On April 12, 2016, the IASB issued Clarifications to IFRS 15. The clarifications provide additional guidance with respect to the five-step analysis and transition to the Standard. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company intends to adopt IFRS 15 and the clarifications in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined but management has created a plan to determine whether the new standard may have an impact and to subsequently identify the changes, if any, which need to be made to the Company's current revenue recognition practice.

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.

On June 20, 2016, the IASB issued amendments to IFRS 2 "*Share-based Payment" ("IFRS 2")* clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of share-based payment that changes the classification of the transaction from cash-settled to equity settled. The amendments apply for annual periods beginning on or after January 1, 2018. Amendments can be applied prospectively. The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

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 control framework used to design ICFR is the Internal Control - Integrated Framework (2013) ("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, 2016, and based on that assessment determined that the Company's internal controls over financial reporting was, in all material respects, appropriately designed and operating effectively.

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

During the three months ended June 30, 2017, 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 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.

Political uncertainty

In the last several years, the United States and certain European countries have experienced significant political events that have cast uncertainty on global financial and economic markets. During the recent presidential campaign a number of election promises were made and the new American administration has begun taking steps to implement certain of these promises. Included in the actions that the administration has discussed are the renegotiation of the terms of the North American Free Trade Agreement, withdrawal of the United States from the Trans-Pacific Partnership, imposition of a tax on the importation of goods into the United States, reduction of regulation and taxation in the United States, and introduction of laws to reduce immigration and restrict access into the United States for citizens of certain countries. It is presently unclear exactly what actions the new administration in the United States will implement, and if implemented, how these actions may impact Canada and in particular the oil and gas services industry or the Company's cross-border operations. Any actions taken by the new United States administration may have a negative impact on the Canadian economy and on the businesses, financial conditions, results of operations and the valuation of Canadian oil and gas service companies, including the Company.

In addition to the political disruption in the United States, the citizens of the United Kingdom recently voted to withdraw from the European Union and the Government of the United Kingdom has begun taken steps to implement such withdrawal. Some European countries have also experienced the rise of anti-establishment political parties and public protests held against open-door immigration policies, trade and globalization. To the extent that certain political actions taken in North America, Europe and elsewhere in the world result in a marked decrease in free trade, access to personnel and freedom of movement it could increase costs for goods and services required for the Company's operations, reduce access to skilled labour and negatively impact the Company's business, operations, financial conditions.

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 customers that account for 10% or more of revenue from operations for the six months ended June 30, 2017. The Company is not concerned regarding the collection of these receivables.

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.

Employees

The Company may not be able to find enough labour to meet its needs, and this could limit growth. The Company may also have difficulty finding enough labour in the future if demand for its services increases. Shortages of qualified personnel have occurred in the past during periods of high demand. The demand for qualified oilfield services personnel generally increases with stronger demand for oilfield services. Increased demand typically leads to higher wages that may or may not be reflected in any increases in service rates.

If the Company is unable to find enough labour, it could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

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 29, 2017, 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 2017 capital budget, and funding thereof, changes and expectations in margins to be experienced by Strad, anticipated cash flow, debt, demand for the Company's products and services, drilling activity in North America, pricing of the Company's products and services and expectations for the remainder of 2017, introduction of new products and services 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 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 and other adjustments (“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 (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.

Funds from operations are cash flow from operating activities excluding changes in non-cash working capital. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities. Working capital, 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 June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Net cash generated from operating activities	$ 3,031	$ 4,435	$ 6,572	$ 9,681
Less:				
Changes in non-cash working capital[1]	(3,045)	5,214	(5,031)	8,705
Funds from Operations	6,076	(779)	11,603	976

Notes:
(1) Prior period comparative funds from operations have amounts that were reclassified to conform to the current presentation of the interim consolidated statement of cash flows.

Reconciliation of adjusted EBITDA

('000's)

	Three months ended June 30,		Six months ended June 30,	
	2017	**2016**	**2017**	**2016**
Net loss:	$ (2,163)	$ (6,958)	$ (4,512)	$ (9,952)
Add (deduct):				
Depreciation and amortization	7,572	4,516	13,955	9,665
Gain on disposal of PP&E	(150)	(268)	(227)	(461)
Deferred income tax expense	(102)	1,439	14	238
Financing fees	73	47	147	94
Interest expense	419	157	855	401
Gain on foreign exchange	(58)	3	(145)	(434)
Current income tax recovery	—	(919)	—	(1,136)
Adjusted EBITDA	5,591	(1,983)	10,087	(1,585)

Reconciliation of quarterly non-IFRS measures

(000's)

	Three months ended			
	Jun 30, 2017	**Mar 31, 2017**	**Dec 31, 2016**	**Sep 30, 2016**
Net loss:	$ (2,163)	$ (2,347)	$ (3,105)	$ (3,746)
Add (deduct):				
Depreciation and amortization	7,572	6,383	7,610	4,930
Gain on disposal of PP&E	(150)	(78)	(105)	(35)
(Gain) loss on foreign exchange	(58)	(87)	123	17
Current income tax (recovery) expense	—	—	204	(242)
Deferred income tax (recovery) expense	(102)	116	(403)	(39)
Interest expense	419	436	415	318
Finance fees	73	73	43	44
Adjusted EBITDA	5,591	4,496	4,782	1,247

	Three months ended			
	Jun 30, 2016	**Mar 31, 2016**	**Dec 31, 2015**	**Sep 30, 2015**
Net loss:	$ (6,958)	$ (2,994)	$ (8,316)	$ (20,362)
Add (deduct):				
Depreciation and amortization	4,516	5,149	7,126	9,616
Gain on disposal of PP&E	(268)	(193)	(99)	(30)
(Gain) loss on foreign exchange	3	(437)	216	380
Current income tax recovery	(919)	(217)	(677)	(432)
Deferred income tax (recovery) expense	1,439	(1,201)	(4,033)	(2,776)
Interest expense	157	244	427	311
Impairment loss	—	—	7,822	17,277
Finance fees	47	47	34	37
Adjusted EBITDA	(1,983)	398	2,500	4,021

Reconciliation of funded debt

(000's)

	Six months ended June 30, 2017	**Year ended December 31, 2016**
Bank indebtedness, net of cash on hand at syndicate banks	$ (865)	$ 1,478
Long term debt	20,951	26,501
Current and long term obligations under finance lease	1,057	1,046
Total Funded Debt	21,143	29,025