MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of May 9, 2012, 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, 2012, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of Strad for the three months ended March 31, 2012, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2011, all of which were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY".

Additional information relating to Strad for the three months ended March 31, 2012, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

For the three months ended March 31,
($000's, except per share amounts)

	2012	**2011**
Revenue from continuing operations	56,301	26,782
EBITDA from continuing operations (1)	15,981	7,158
Per share ($), basic	0.44	0.20
Per share ($), diluted	0.42	0.19
Net income from continuing operations (2)	5,123	1,271
Per share ($), basic	0.14	0.03
Per share ($), diluted	0.14	0.03
Funds from continuing operations (3)	14,638	7,038
Per share ($), basic	0.40	0.19
Per share ($), diluted	0.39	0.19
Capital Expenditures from continuing operations (4)	23,360	31,886
Total assets	228,993	213,330
Long-term debt(5)	40,753	13,000
Total long-term liabilities	54,120	24,353
Common Shares – end of period	37,246,384	37,246,384
Weighted average Common Shares		
basic	36,712,942	36,632,544
diluted	37,616,700	36,999,618

SEGMENTED INFORMATION

For the three months ended March 31,
($000's, except per share amounts)

($000's)	2012	2011	% chg.
Canadian Operations			
Revenue	21,826	10,402	109.8
EBITDA (1)	7,373	3,619	103.7
EBITDA %	33.8%	34.8%	
Capital Expenditures (4)	10,363	7,758	
Gross Capital Assets	93,273	61,892	
Total Assets	109,123	69,094	
U.S. Operations			
Revenue	20,913	8,688	140.7
EBITDA (1)	7,448	2,678	178.1
EBITDA %	35.6%	30.8%	
Capital Expenditures (4)	12,825	23,956	
Gross Capital Assets	88,967	52,435	
Total Assets	108,618	77,440	
Product Sales			
Revenue	13,562	7,692	76.3
EBITDA (1)	2,038	1,556	31.0
EBITDA %	15.0%	20.2%	
Capital Expenditures (4)	172	65	
Corporate			
EBITDA (1)	(878)	(695)	26.3
Capital Expenditures (4)	-	107	
Total EBITDA from continuing operations (1)	15,981	7,158	123.3
Total EBITDA %	28.4%	26.7%	
Total Capital Expenditures (4)	23,360	31,886	
Return on Average Total Assets (6)	29.6%	24.6%	

Notes:

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".
(2) Net income from continuing operations excludes income attributable to the non-controlling interests.
(3) Funds from operations is cash flow from operating activities before changes in working capital. Funds from operations is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".
(4) Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.
(5) Excluding current portion; includes long-term portion of finance lease obligations.
(6) Return on average total assets is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".

OVERVIEW OF THE COMPANY

Strad provides a comprehensive range of drilling and completions related products and services, including a wide assortment of environmental solutions. Strad offers its customers a wide range of turn-key well-site infrastructure and activation solutions including, surface equipment, environmental and access matting, drill pipe, satellite communications, solids control and waste management, and manufactures both matting and surface equipment. Strad has strategically diversified its operations through the addition of new products and services and through expansion into new geographic areas in North America. Products have exposure to conventional and unconventional oil, liquids rich natural gas and dry natural gas. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin **("WCSB")** into resource plays throughout the United States (U.S.), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, the Eagle Ford in Texas and various areas within the western United States Rockies. As of March 31, 2012, the Company has 31 operating locations throughout North America.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- First quarter EBITDA[1] from continuing operations of $16.0 million, a 122% increase, compared with $7.2 million for the same period in 2011;
- First quarter revenue from continuing operations of $56.3 million, a 110% increase compared with $26.8 million for the same period in 2011;
- Capital expenditures of $23.4 million in the first quarter;
- United States first quarter revenues of $20.9 million increased 141% compared with the same period in 2011;
- Ongoing success in the development of new products, including satellite communications equipment, solids control and waste management, composite matting with $4.1 million spent on new products in the first quarter; and
- Total funded debt to trailing EBITDA ratio of 0.9 at the end of Q1 2012.

Notes:

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

The continuing strong revenue and EBITDA results from continuing operations for the three months ended March 31, 2012, are due to the successful execution of Strad's 2010 and 2011 capital programs. During the first quarter of 2012, capital spending totaled $23.4 million, with $12.8 million being spent in the United States. First quarter 2012 EBITDA from continuing operations was $16.0 million, a 122% increase, compared with $7.2 million for the same period in 2011.

With the divestiture of the Production Services business, Strad now reports its results between Canadian Operations, U.S. Operations and Product Sales. As is indicated below, results were favourable in all three areas. The growing trend towards horizontal drilling and multi-stage fracking, in both the U.S. and Canada, has continued to drive demand in all three business segments. Industry's shift toward these more technologically complex initiatives has translated into a growing requirement for turn-key solutions providers that offer integrated, technologically-advanced, and complete solutions. Strad continues to benefit from this by focusing its resources on client integration and product innovation. Strad's capital resources are distributed evenly between its U.S. Operations and Canadian Operations, as the Company views this as an important diversifier of overall risk.

RESULTS OF OPERATIONS

Consolidated Revenue

Consolidated revenue generated from continuing operations for the three months ended March 31, 2012, increased 110% to $56.3 million compared with $26.8 million for the same period in 2011. Continued strong equipment and service utilization, additional capital expenditures and increased product sales contributed to the significant increase in revenue compared to 2011.

Canadian Operations

Revenues generated by the Company's Canadian Operations segment for the three months ended March 31, 2012, increased 110% to $21.8 million versus $10.4 million for the same period in 2011. The increase is primarily due to capital additions to the surface equipment fleet during 2011. During 2011, the Canadian Operations segment added $30.9 million of capital additions, and another $10.4 million of capital additions in the first quarter of 2012.

U.S. Operations

Revenue generated by the U.S. Operations for the three months ended March 31, 2012, increased 140% to $20.9 million from $8.7 million for the same period in 2011. The increase is due to $46.8 million in capital additions to the surface equipment fleet during 2011, and an additional $12.8 million of capital additions in the first quarter of 2012.

The increase is also due to continuing strong demand for surface equipment in the Bakken and Eagle Ford resource plays, continued focus on expanding the customer base and market share in the U.S., and increased traction from new product deployment including satellite communications, solids control and waste management and composite mats.

Compared to the fourth quarter in 2011, revenue has decreased by $1.0 million from $21.9 million. The decrease in revenue is due to overall decreased drilling activity in the Marcellus resource play in Pennsylvania as a result of depressed natural gas prices.

Strad also expanded its presence in high activity U.S. markets by opening local offices in Houston, Texas and Pittsburgh, Pennsylvania. By increasing its visibility with customers in these areas, Strad aims to further improve penetration and market share by locating in key-decision making and operational centres. This remains part of the Company's ongoing efforts to position itself as a North American-focused services provider.

Product Sales

Revenue generated by the Company's Product Sales segment for the three months ended March 31, 2012, increased 77% to $13.6 million from $7.7 million for the same period in 2011. Product sales are comprised of in-house manufactured products sold to external customers, third party equipment sales to existing customers, and sales of equipment from Strad's existing fleet to customers. Product sales revenues tend to fluctuate quarter to quarter depending on customer demand for third party equipment sales, which are dependent upon individual customer capital programs, and manufacturing capacity dedicated to external sales as capacity is first allocated to Strad capital requirements. Compared to the fourth quarter in 2011, product sales decreased by $7.4 million due to fewer sales of third party matting and drill pipe, offset by increased external manufacturing sales.

Operating Expenses

Consolidated operating expenses from continuing operations increased $17.1 million or 116% to $31.9 million for the three months ended March 31, 2012, from $14.8 million for the same period in 2011. Operating expenses increased consistent with revenue for the three months ended March 31, 2012.

Selling, General and Administrative

Selling, general and administrative (**"SG&A"**) expenses from continuing operations include salaries and other compensation and benefits, share-based payments for sales, office and administrative staff, professional fees, corporate office rent, information systems and communications and marketing for the Company. SG&A expenses increased 71% for the three months ended March 31, 2012, to $8.4 million from $4.9 million for the same period in 2011. The increase is due to higher levels of Company activity and an expansion of infrastructure needed to support the Company's growing operations in both Canada and the United States.

As a percentage of revenue, for the three months ended March 31, 2012, SG&A expenses from continuing operations were 15% compared with 18% for the same period in 2011.

Share-based payments were $0.2 million for the three months ended March 31, 2012, compared with $0.2 million for the same period in 2011.

EBITDA

Consolidated EBITDA from continuing operations for the three months ended March 31, 2012, of $16.0 million, improved 122% compared with $7.2 million for the same period in 2011 for the reasons stated above. EBITDA as a percentage of revenue for the three months ended March 31, 2012, was 28% compared with 27% for the same period in 2011.

Canadian Operations EBITDA for the three months ended March 31, 2012, of $7.4 million, improved 104% compared with $3.6 million for the same period in 2011. The increase in EBITDA during the first quarter in 2012 is due to capital additions of $30.9 million in 2011. EBITDA as a percentage of revenue for the three months ended March 31, 2012, was 34% compared with 35% for the same period in 2011.

U.S. Operations EBITDA for the three months ended March 31, 2012, of $7.4 million, improved 174% compared with $2.7 million for the same period in 2011. The increase in EBITDA during the first quarter in 2012 is the result of capital additions of $46.8 million in 2011, increased customer activity in the North Dakota Bakken resource play and increased traction from new product deployment including satellite communications, solids control and waste management and composite mats. EBITDA as a percentage of revenue for the three months ended March 31, 2012, was 36% compared with 31% for the same period in 2011.

Product Sales EBITDA for the three months ended March 31, 2012, of $2.0 million, improved 25% compared with $1.6 million for the same period in 2011. The increase in EBITDA during the first quarter in 2012 is due to increased third party equipment sales to existing surface equipment customers and increased sales of in-house manufactured equipment to third party customers. In the fourth quarter of 2011, Strad doubled its manufacturing capacity resulting in the ability to build more of Strad's 2012 capital program and increase sales to third party customers. EBITDA as a percentage of revenue for the three months ended March 31, 2012, was 15% compared with 20% for the same period in 2011.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets used in continuing operations was $6.3 million for the three months ended March 31, 2012, compared with $3.7 million for the same period in 2011. Capital additions of $23.4 million during the first quarter of 2012, and $79.7 million in 2011, increased depreciation and amortization for the respective period.

Interest

Interest expense from continuing operations totaled $0.5 million for the three months ended March 31, 2012, compared with $0.2 million for the same period in 2011. The increase in interest expense was due to higher average debt balances during the three months ended March 31, 2012, compared to the same period in 2011. As at March 31, 2012, total funded debt outstanding was $54.5 million compared to $33.1 million as at March 31, 2011. The increase in funded debt at March 31, 2012, is due to capital expenditures of $23.4 million during the first quarter of 2012 and $79.7 million in 2011.

Gain/Loss on Foreign Exchange

Loss on foreign exchange from continuing operations for the three months ended March 31, 2012, was $0.4 million compared with a loss of $0.3 million for the same period in 2011. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/United States exchange rates. The Company has increased its exposure to United States dollars as operations in the United States have increased year-over-year. The Canadian dollar has strengthened by 3% against the U.S. dollar over the past year ($0.9991 at March 31, 2012, compared to $0.9718 at March 31, 2011).

Income Taxes

For the three months ended March 31, 2012, the Company recorded income before income taxes, non-controlling interest and discontinued operations of $8.8 million and the Company incurred current income tax expense of $1.2 million and future tax expense of $2.0 million from continuing operations, compared to a future income tax expense of $1.2 million for the same period in the prior year. The future income tax expense, or recovery, represents timing differences and the tax effect of rate changes. The anticipated amount and timing of expense or recovery of future taxes will be dependent upon the Company's actual results, and the actual acquisition and disposition of assets and liabilities.

Discontinued Operations

On January 13, 2012, the Company announced the sale of its Production Services Division. Therefore, the financial results of the Production Services Division have been classified as discontinued operations in the Company's interim consolidated financial statements.

For the three months ended March 31, 2012, the Company recorded a loss, net of tax, from discontinued operations of $0.3 million compared to income of $0.3 million for the same period in 2011. With the sale, the Company expects a significant improvement in reported margins and an increased focus on its most profitable business segment.

Non-Controlling Interest

For the three months ended March 31, 2012, non-controlling interest of $0.5 million was recorded compared to $0.5 million for the same period in 2011. Non-controlling interest exists in less than wholly-owned subsidiaries of the Company and earnings or losses of the subsidiaries are included in the Company's net income and adjusted to reflect the portion attributable to the non-controlling interest.

On March 1, 2012, the Company acquired the remaining 25% of the issued shares of one of its subsidiaries for purchase consideration of $2.7 million. The Company now holds 100% of the equity share capital of the subsidiary. The carrying amount of the non-controlling interest in the subsidiary on the date of acquisition was $1.1 million. The Company recorded a decrease in equity attributable to owners of the parent of $1.6 million, representing the excess between the consideration and the carrying amount of the non-controlling interest.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results from continuing operations as of March 31, 2012, and for the year 2011 and 2010.

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Mar. 31, 2012	**Dec. 31, 2011**	**Sept. 30, 2011**	**Jun. 30, 2011**
Revenue from continuing operations	56,301	62,098	62,674	36,717
EBITDA from continuing operations(1)	15,981	17,169	17,484	10,498
Net income from continuing operations	5,123	7,661	7,327	3,568
Per share ($), basic	0.14	0.21	0.20	0.10
Per share ($), diluted	0.14	0.21	0.20	0.10

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Mar. 31, 2011	**Dec. 31, 2010**	**Sept. 30, 2010**	**Jun. 30, 2010**
Revenue from continuing operations	26,782	27,462	25,987	18,634
EBITDA from continuing operations(1) (2)	7,158	7,068	7,998	3,777
Net income from continuing operations(2)	1,271	1,818	2,646	386
Per share ($), basic	0.03	0.07	0.13	0.02
Per share ($), diluted	0.03	0.06	0.10	0.02

Notes:

(1) EBITDA is a not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".
(2) 2010 EBITDA and net income amounts are presented in accordance with IFRS.

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations to the point where approximately half of Strad's gross capital assets are located in the U.S. The United States does not normally experience the same reduction in drilling activity as the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters. Strad invests strategically in its asset base so the deployment of new equipment can coincide with higher levels of sustained activity in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012, Strad's principal sources of liquidity include working capital of $23.2 million, an increase of $5.6 million compared with March 31, 2011, a syndicated banking facility of $100.0 million consisting of a $15.0 million operating facility, of which $9.7 million was drawn; and a revolving facility of $85.0 million, of which $37.5 million was drawn as of March 31, 2012.

Working Capital

Current assets at March 31, 2012, were $64.9 million, an increase of $0.7 million from March 31, 2011. The slight increase in current assets is due to an increase in accounts receivable of $4.1 million, an increase in prepaid expenses and deposits of $3.4 million and an increase in note receivable of $0.6 million, offset by a decrease in inventory of $7.3 million.

Current liabilities at March 31, 2012, were $41.7 million, a decrease of $4.9 million from March 31, 2011. Income taxes payable increased by $0.6 million due to earnings before income tax from continuing operations of $8.8 million, offset by tax instalments made during the first quarter. Current portion lease obligations increased by $0.1 million due to additional leased vehicles and heavy equipment. Bank indebtedness decreased by $3.6 million due to increased long-term debt drawdowns. Deferred revenue decreased by $3.1 million due to the timing of sales transactions. Current portion of long-term debt decreased by $2.8 million due to Strad entering into a three year syndicated credit facility on July 25, 2011. Accounts payable increased by $1.9 million due to increased activity levels during the first quarter in 2012 and dividend payable increased by $2.0 million.

Indebtedness

On July 25, 2011, the Company entered into a three year, $100.0 million, syndicated banking facility, which consists of an operating facility with a maximum principal amount of $15.0 million and an $85.0 million revolving facility, both of which are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over the Company's assets. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company's funded debt to EBITDA ratio. Based on the Company's current funded debt to EBITDA ratio, the interest rate on the syndicated banking facility is bank prime plus 1.00% on prime rate advances and at the prevailing rate plus a stamping fee of 2.00% on bankers' acceptances. For the three months ended March 31, 2012, the overall effective rate on the syndicated banking facility was 4.20%. As of March 31, 2012, $9.7 million was drawn on the operating facility and $37.5 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at March 31, 2012, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at March 31, 2012, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**
Finance Leases	7,825	4,480	3,208	137
Operating leases	13,399	2,937	4,148	6,314
Total Commitments	21,224	7,417	7,356	6,451

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

OUTSTANDING COMPANY SHARE DATA

	As of May 8, 2012 *(unaudited)*
Common shares – voting	37,248,050
Options	2,526,333
Fully diluted Common Shares	39,774,383

OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2012, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management

Key management includes the Company's directors and members of the Executive Management team. The compensation paid or payable to key management for services is shown below:

	Three months ended March 31, 2012	Three months ended March 31, 2011
Salaries and short-term employee benefits	$ 285	$ 332
Share-based payments	221	195
	506	527

Certain key management personnel have loans totaling $1.1 million from the Company. Proceeds of the loans were used to purchase Common Shares in the Company. The loan balances are non-interest bearing for the first three years of the loan for employees who are officers of the Company.

OUTLOOK

Industry conditions remained solid in the first quarter, despite an earlier spring breakup in Canada and continued weakness in North American natural gas pricing. In the WCSB, drilling utilization of 64% for the first quarter of 2012 was down slightly from 67% in the first quarter of last year; the number of wells rig released during the first quarter of 2012 was down to 3,422 from 3,670 – likely a result of a shorter drilling season than the previous year. Directional and horizontal drilling comprised 82% of all wells drilled during the first quarter of 2012, representing an increase of 12% over the same period of last year. Well licensing for the first quarter of 2012 decreased by 16% over the first quarter of 2011, while well completions also dropped year-over-year by 20%, with oil-targeted completions increasing 14% and natural gas completions falling 59%. Much of the softness in numbers can be attributed to declining natural gas prices and an earlier spring breakup. In the United States, approximately 70% of rigs were focused on crude oil and natural gas liquids versus 55% for the first quarter of last year. U.S. land rig counts were down only slightly over the end of 2011 with activity levels remaining generally robust.

As has been the norm over the past 24 months, low dry natural gas pricing continues to shape exploration activity, with exploration budgets focusing more on those plays that offer exposure to oil and natural gas liquids. Strad remains aware of this reality and continues to deploy its capital and assets accordingly. First quarter demand for Strad's services represented an all-time high for the period, as reflected in a year-over-year EBITDA increase of 122%, although some softening was seen toward the end of the quarter in Canada in conjunction with breakup. A portion of Strad's customers in the Marcellus resource play in Pennsylvania are moving away from dry natural gas focused drilling to more liquids rich and oil drilling. This asset reallocation is expected to continue through Q2. Despite continued economic volatility, management expects drilling activity to remain relatively steady in key resource plays for the foreseeable future as the more profitable oil and natural gas liquids plays continue to drive demand for services. Strad will allocate assets to support changing customer priorities in the Marcellus while deploying both existing and new equipment to higher activity resource plays throughout the U.S., including the Bakken and Eagle Ford resource plays.

The trend towards horizontal drilling and multi-stage fracking continued on both sides of the border where the industry continued to access both unconventional resource plays and mature conventional plays. At the end of the first quarter, 60% of U.S. rigs were focused on horizontal drilling, compared with 57% at the end of the first quarter of 2011. In Canada, horizontal drilling year-over-year accounted for 64% of the total wells drilled in the quarter. This continued focus on horizontal drilling and multi-stage fracking continues to benefit Strad, as it has allowed the Company to capitalize on the increased demand for greater amounts of equipment and service at individual sites, and is supportive of new product development initiatives.

While Strad continues to monitor and leverage off the trend towards horizontal drilling and the increased focus on oil and liquids rich natural gas plays, the Company also takes a proactive approach to identifying new market opportunities. This was reflected in the creation of Strad Innovations, the Company's in-house R&D division that focuses exclusively on assessing future industry trends and new products and technologies to meet them. One such trend that the Company remains vigilant of is the growing demand for frac-water storage solutions. In keeping with this, Strad intends to introduce its own solution to frac-water storage in mid-2012. The Company is currently in the process of testing two of its EcoPond™ frac-water storage tank designs, with a focus on maximum flexibility and efficient use of well-site space. Strad has both internal manufacturing capacity and has sourced additional external manufacturing capacity for these products, which it projects will be adequate for meeting initial market demand once the product is launched. Management remains optimistic about the potential for this new line of products and expects successful deployment and customer acceptance to generate significant growth.

Capital expenditures for the quarter, totaled $10.4 million in Canada and $12.8 million in the U.S., which represented year-over-year increases of 33% in Canada and a 46% decrease in the U.S. Strad continues to deploy its capital on a roughly equal basis between its U.S. and Canadian Operations with regards to its planned $72.0 million 2012 capital program, and expects to 65% of the 2012 capital program deployed by the end of the second quarter.

Management continues to monitor broader economic conditions and their potential to undermine continuing robust commodity pricing for North American crude and natural gas liquids. Management believes in the strength of its diversification strategy across geographic, commodity and product lines. This is a key differentiator that offers the Company flexibility and the ability to adjust quickly to fluctuating market conditions. The Company remains well capitalized through strong cash flows and Management continues to maintain a strong balance sheet. At March 31, 2012, the funded debt to EBITDA ratio for continuing operations was 0.9.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at March 31, 2012, relate to standard working capital and credit facility items. There are no significant differences between the carrying value of these financial instruments and their estimated fair values. There are no off-balance sheet arrangements and the Company does not use any financial instruments such as derivatives. Of the Company's financial instruments, accounts receivable represents credit risk. The Company provides credit to its customers in the normal course of operations. The Company's credit risk policy includes performing credit evaluations of its customers. Substantially all of the Company's accounts receivable are due from companies in the oil and natural gas industry and are subject to the normal industry credit risk. Management views the credit risk related to accounts receivable as minimal. Funds drawn under the syndicated banking facility bear interest at a floating interest rate. Therefore, to the extent that the Company borrows under this facility, the Company is at risk to rising interest rates.

The Company is also exposed to liquidity risk. Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they become due. Management's approach to managing risk includes utilizing detailed working capital, cash and capital expenditure forecasting and monthly budgeting to ensure liquidity is available when the financial obligations are due. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions.

CRITICAL ACCOUNTING ESTIMATES

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

Amounts recorded for depreciation and amortization are based on the estimated useful lives of the underlying assets. Useful lives are based on management's best estimate using knowledge of past transactions, and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Company's property, plant and equipment in the future.

The Company's assets are segregated into cash-generating units based on their ability to generate largely independent cash flows and used for impairment testing. The determination of the Company's cash-generating units is subject to management's judgment.

The Company tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value less costs to sell and value-in-use. Fair value less costs to sell and value-in-use calculations require the use of estimates, assumptions and judgements. Value-in-use calculations require management to use assumptions regarding discount rates and estimated future cash flows. Fair value less costs to sell requires management to make judgements of fair value using market conditions as well as estimations of costs to sell.

Compensation costs accrued for long-term stock-based compensation plans are subject to their fair value estimation by using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Inventory is to be carried at the lower of cost and net realizable value. Management's best estimate of net realizable value is the selling price prevailing in the market.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by Management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

DISCLOSURE CONTROLS AND PROCEDURES

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

As at December 31, 2011, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Strad's disclosure controls and procedures as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and CFO have concluded that, as at December 31, 2011, Strad's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

During 2011, Strad has focused on continuous improvement and improved execution of its disclosure controls and procedures. Strad will continue to evaluate the disclosure controls and procedures with modifications being made when necessary. There were no changes in Strad's disclosure controls and procedures that occurred during the three months ended March 31, 2012, which have materially affected, or are reasonably likely to materially affect, Strad's disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company will have to certify on a quarterly and annual basis that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework (**"COSO Framework"**) published, by the Committee of Sponsoring Organizations of the Treadway Commission (**"COSO"**). The Chief Executive Officer and Chief Financial Officer of the Company directed the assessment of the design and operating effectiveness of the Company's internal controls over financial reporting as at December 31, 2011, and based on that assessment determined that the Company's internal controls over financial reporting was, in all material respects, appropriately designed and operating effectively.

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

During the three months ended March 31, 2012, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to have materially affected the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

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

Risks in the Oil and Natural Gas Exploration and Production Industry

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

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

Competition

The Company competes with a number of companies, some of which have greater technical and financial resources. The western Canadian market consists of a range of companies, large and small, public and private. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Company, or that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Company. The Company's customers may elect not to purchase its services if they view the Company's financial viability as unacceptable, which would cause the Company to lose customers.

Ongoing Capital Requirements

The Company's business strategy is based in part upon the continued expansion of the Company's ability to provide a range of oil and natural gas rentals and services. In order to continue to implement its business strategy, the Company will be required to further its capital investment. The Company's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants and limits in the Company's current and future debt agreements, by the Company's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Company's control.

Seasonality of Oilfield Operations

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. While the Company's facilities are open and accessible year-round, spring breakup reduces the Company's activity levels.

Accounts Receivable

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to its customers delaying or failing to pay invoices. Risk of payment delays or failure to pay is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company's customers. It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does not have significant exposure to any individual customer, other than one customer who accounted for approximately 14% of revenue.

Environmental Legislation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial 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.

For additional information that could affect the Company's business, see "Risk Factors" in the Company's AIF which is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this Press Release constitute forward-looking statements. More particularly, this MD&A contains forward-looking statements concerning future capital expenditures of the Company, demand for the Company's products and services, drilling activity in North America, pricing of the Company's products and services, introduction of new products and services, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity. These statements relate to future events or to the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

The use of any of the words "expect", "plan", "continue", "estimate", "anticipate", "potential", "targeting", "intend", "could", "might", "should", "believe", "may", "predict", or "will" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. These factors include, but are not limited to, such things as the impact of general industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in this MD&A under the heading "Risk Factors" above and in additional detail in the Company's Annual Information Form (**"AIF"**). Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether the result of new information, future events or otherwise.

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 audited 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 consolidated interim financial statements.

NON-IFRS MEASURES RECONCILIATION

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and previous GAAP 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 or previous GAAP measure. However, they should not be used as an alternative to IFRS or previous GAAP, because they may not be consistent with calculations of other companies. These measures are further explained below.

Earnings before interest, taxes, depreciation and amortization (**"EBITDA"**) is not a recognized measure under IFRS and previous GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed or how the results are taxed. EBITDA is calculated as net income from continuing operations plus interest, taxes, depreciation and amortization, non-controlling interest, 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 EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations, U.S. Operations, Product Sales and Corporate.

Funds from operations are cash flow from operating activities excluding changes in working capital. 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 is used by Management to gauge what banking facilities are available for reinvestment in the business.

Annualized return on average total assets for the three months ended March 31, 2012, is calculated as annualized year to date EBITDA divided by the average of total assets over the fourth quarter of 2011, including a three month lag. The three month lag represents the time between the purchase of capital assets and when they are deployed in the field and earning revenue. In 2011, the return on average total assets calculation was adjusted to include total Company assets, whereas prior calculations included total drilling services assets only.

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

Reconciliation of EBITDA and Funds from Operations

	Three Months Ended March 31,	
	2012	**2011**
Net income from continuing operations	5,123	1,271
Add:		
Depreciation and amortization	6,253	3,660
Loss/(gain) on disposal of PP&E	35	(22)
Share-based payments	249	173
Non-controlling interest	520	543
Deferred income tax expense	1,956	1,211
Interest expense	502	202
Funds from operations	14,638	7,038
Add:		
Loss on foreign exchange	401	273
Income tax expense	1,191	20
Subtotal	16,230	7,331
Deduct:		
Share-based payments	249	173
EBITDA	15,981	7,158

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

	Three months ended (unaudited)			
	Mar. 31, 2012	**Dec. 31, 2011**	**Sept. 30, 2011**	**Jun. 30, 2011**
Net income from continuing operations	5,123	7,661	7,327	3,568
Add:				
Depreciation and amortization	6,253	5,713	5,215	4,611
Loss/(gain) on disposal of PP&E	35	(96)	52	(119)
Loss/(gain) on foreign exchange	401	52	(916)	329
Non-controlling interest	520	543	497	(210)
Income tax expense	1,191	1,177	2,074	-
Deferred income tax expense	1,956	1,499	2,748	1,833
Interest expense	502	620	487	486
EBITDA	15,981	17,169	17,484	10,498

	Three months ended (unaudited)			
	Mar. 31, 2011	**Dec. 31, 2010** (1)	**Sept. 30, 2010** (1)	**Jun. 30, 2010** (1)
Net income from continuing operations	1,271	1,818	2,646	386
Add:				
Depreciation and amortization	3,660	3,010	2,724	2,528
Finance costs	-	13	22	–
Gain on disposal of PP&E	(22)	(5)	(42)	(48)
Loss/(gain) on foreign exchange	273	529	(211)	185
Non-controlling interest	543	76	445	(20)
Income tax expense/(recovery)	20	(562)	(829)	336
Deferred income tax expense/(recovery)	1,211	1,654	2,510	(128)
Interest expense	202	535	733	538
EBITDA	7,158	7,068	7,998	3,777

(1) 2010 amounts are presented in accordance with IFRS.