MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of August 8, 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 and six months ended June 30, 2012, 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, 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 and six months ended June 30, 2012, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR")** at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Second quarter revenue from continuing operations of $54.3 million, a 48% increase compared with $36.7 million for the same period in 2011;
- Second quarter EBITDA(1) from continuing operations of $10.9 million, a 4% increase, compared with $10.5 million for the same period in 2011;
- Capital expenditures of $23.3 million in the second quarter and $46.7 million in the first half of 2012;
- Strad officially launched its EcoPond™ frac-water storage tanks during the second quarter. The Company has started to submit customer proposals and has placed its first units in July;
- Total funded debt(2) to trailing EBITDA ratio of 1.0 at the end of Q2 2012; and,
- Second quarter earnings per share from continuing operations of $0.08.

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) Funded debt includes bank indebtedness plus current and long-term portion of debt plus current and long-term obligations under finance lease less cash. EBITDA is based on trailing twelve months. See "Non-IFRS Measures Reconciliation".

SECOND QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% chg.	2012	2011	% chg.
Revenue from continuing operations	54,304	36,717	48	110,605	63,499	74
EBITDA from continuing operations (1)	10,885	10,498	4	26,866	17,656	52
EBITDA as a % of revenue	20%	29%		24%	28%	
Per share ($), basic	0.30	0.29	3	0.73	0.48	52
Per share ($), diluted	0.29	0.28	4	0.71	0.48	48
Net income from continuing operations (2)	2,772	3,569	(22)	7,895	4,840	63
Per share ($), basic	0.08	0.10	(20)	0.22	0.13	69
Per share ($), diluted	0.07	0.10	(30)	0.21	0.13	62
Funds from continuing operations (3)	11,134	10,357	8	25,772	17,395	48
Per share ($), basic	0.30	0.28	7	0.70	0.47	49
Per share ($), diluted	0.29	0.28	4	0.68	0.47	45
Capital Expenditures from continuing operations (4)	23,301	20,138	16	46,661	52,024	(10)
Total assets	242,038	231,058	5	242,038	231,508	5
Return on Average Total Assets (5)	20%	30%		25%	28%	
Long-term debt(6)	52,500	22,000	139	52,500	22,000	139
Total long-term liabilities	70,453	39,433	79	70,453	39,433	79
Common Shares – end of period ('000's)	37,251,301	37,246,384		37,251,301	37,246,384	
Weighted average Common Shares						
basic	36,714,257	36,632,544		36,713,600	36,632,544	
diluted	37,767,772	36,999,618		37,678,969	36,999,618	

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) *Return on average total assets is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(6) *Excluding current portion.*

OVERVIEW OF THE COMPANY

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. Strad's commodity exposure includes 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 June 30, 2012, the Company has 35 operating locations throughout North America.

SECOND QUARTER RESULTS

Strad reported an increase in revenue of 48% during the three months ended June 30, 2012, compared to the same period in 2011. Strad's expansion of its equipment fleet in both Canada and the U.S. through strong capital spending programs, continued to be the main driver of year-over-year revenue increases during 2012.

Strad's Canadian Operations reported lower EBITDA margins during the three months ended June 30, 2012, compared to the same period in 2011, due to weather related factors as well as increased infrastructure costs required to support the expanded asset base. Strad's Canadian Operations experienced an earlier and extended spring break-up period in 2012, which resulted in lower demand for Strad's surface equipment fleet. However, these wet

conditions resulted in continued strong demand for Strad's matting fleet, including mat sales and supporting service. Strad's Canadian matting fleet, continued to act as a hedge against decreased surface equipment utilization rates in the WCSB during the second quarter.

Second quarter EBITDA results from Strad's U.S. Operations continued to be impacted by lower utilization levels in the Marcellus resource play in Pennsylvania as a result of low natural gas prices. Strad's customers in the Marcellus continued to reallocate assets to different areas within the Marcellus as well as other resource plays in the U.S. during the second quarter to focus on oil and liquids rich natural gas drilling. Strad redeployed a portion of its Marcellus equipment fleet, both within the Marcellus and other resource plays, in response to its customers' reallocation of assets. During the second quarter, Strad incurred $0.6 million of one-time trucking charges associated with redeploying its equipment fleet to meet changing customer areas of focus. EBITDA was also impacted by an increased infrastructure required to support multiple regions and a larger asset base. Warm and dry conditions in North Dakota resulted in lower utilization rates for Strad's U.S. matting fleet in the second quarter compared to 2011 when North Dakota experienced unusually wet conditions.

During the second quarter, Strad added $7.5 million of capital additions in Canada and $15.3 million in the U.S. For the six months ended June 30, 2012, Strad has spent $46.7 million of its $72.0 million budgeted capital program. Strad continued to invest in new product initiatives including EcoPond™, its frac-water storage solution, satellite communications equipment, and solids control and waste management.

OUTLOOK

Industry conditions during the second quarter softened on a year-over-year basis, as a result of an early spring breakup followed by wet weather in Canada and continued weakness in North American dry natural gas pricing. In the Western Canadian Sedimentary Basin ("WCSB"), active drilling rigs in the second quarter of 2012 averaged 177 compared to 184 for the same period in 2011. In the United States, drilling rig activity levels varied by region. The Bakken (ND), Marcellus (PA), and Eagle Ford plays drive the majority of the Company's operating activity in the U.S. In the Marcellus (PA) play, the active rig count averaged 90 rigs in Q2 of 2012, down from 109 in Q2 of 2011. The Bakken (ND) average rig count increased from 128 in Q2 of 2011 to 159 in Q2 of 2012, and the Eagle Ford rig count increased from 153 in Q2 2011 to 223 in Q2 2012.

During the second quarter, low natural gas pricing continued to curtail industry investment in related resource plays. Strad was most directly impacted by this in the Marcellus shale gas play where the Company experienced lower levels of activity compared to the second quarter of 2011. As a result, Strad redeployed a portion of its fleet within the Marcellus, where customers were reallocating assets towards drilling for oil and liquids-rich natural gas, and to other more active resource plays, specifically the Bakken, resulting in additional trucking costs of approximately $0.6 million during the second quarter. Strad remains optimistic about the long-term potential of the Marcellus, however, a near-term shift out of the play to areas of higher activity was necessary for the Company to achieve higher utilization rates for its fleet in the near term. While a focus on oil and liquids-rich natural gas drilling helped offset regional challenges in the Marcellus play, a wet spring in Canada delayed deployment of the Company's surface fleet north of the border.

Pricing on Strad's core group of product offerings remained in line with previous quarters in most of the markets that Strad supplies and the Company anticipates this trend continuing into the year's final two quarters. The Company has experienced price pressure in its Marcellus operations due to the decline in activity.

Strad also officially launched its EcoPond™ frac-water storage tanks during the second quarter, further diversifying its suite of product offerings. Strad sales teams have indicated significant interest for both EcoPond™ designs and the Company has started to submit customer proposals and placed its first units in the third quarter. Sufficient internal and external manufacturing infrastructure remains in place to meet 2012 sales forecasts and Management expects demand to increase in the months ahead.

Capital expenditures for the quarter totaled $7.5 million in Canada and $15.3 million in the U.S., in addition to $0.5 million in Product Sales, which represented a year-over-year increase of 9% in Canada and a 12% decrease in the United States. Strad continues to deploy its capital on a roughly equal basis between its U.S. and Canadian Operations. While the Company has 65% of its planned $72 million capital program already deployed, Management

has left a portion of the total program uncommitted in order to remain flexible in response to high value opportunities.

Given that broader economic conditions continue to present a context of uncertainty, the Company is closely monitoring producer capital expenditure programs as shifts in demand can occur rapidly. Strad maintains flexibility given its geographic, product line, commodity and customer diversification. Strad's geographic diversity allows the Company to mitigate risk, as it continues to operate in numerous resource plays in both the U.S. and Canada. Strad's assets inherently have commodity diversity as the equipment fleet can be deployed to both oil and natural gas plays without modification. Strad's product line diversification also provides a natural hedge against spring breakup conditions in the WCSB as customer demand for matting products increases during the spring. Strad's customer base of large producers remains well positioned to weather short-term uncertainty with respect to changes to planned 2012 capital programs. Finally, Strad's conservative leverage levels also provide flexibility to add to the asset base when accretive opportunities are identified.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**% chg.**
Revenue	15,625	11,011	42	37,451	21,413	75
EBITDA [(1)]	4,153	4,241	(2)	11,526	7,860	47
EBITDA %	27%	39%		31%	37%	
Capital Expenditures [(2)]	7,520	7,823	(4)	17,882	15,581	15
Gross Capital Assets	99,812	69,021	45	99,812	69,021	45
Total Assets	107,421	75,277	43	107,421	75,227	43

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) *Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.*

Revenue generated for the three months ended June 30, 2012, increased 42% to $15.6 million versus $11.0 million for the same period in 2011. Second quarter of 2012 revenue increased due to capital expenditures during the third quarter and fourth quarter of 2011 and the first quarter of 2012. However, Canadian Operations revenue results were impacted by an extended breakup in the WCSB and prolonged wet weather into late June 2012. Strad's Canadian matting business benefited from wet conditions during the second quarter and a recent expansion to the fleet that allowed it to meet the corresponding increase in demand. Demand for Strad's matting fleet increases in the spring when the ground thaws and access to remote locations becomes more difficult without the use of matting. The extended breakup period impacted revenues generated by Strad's Canadian surface equipment fleet and drill pipe due to lower oilfield activity levels during the second quarter of 2012 compared to the second quarter of 2011.

Revenue generated for the six months ended June 30, 2012, increased 75% to $37.5 million compared to $21.4 million for the same period in 2011. Capital expenditures in 2011 and during the first half of 2012 continue to be the main driver of revenue increase year-over-year.

EBITDA for the three months ended June 30, 2012, of $4.2 million, decreased 2% compared with $4.2 million for the same period in 2011. EBITDA as a percentage of revenue for the three months ended June 30, 2012, was 27% compared with 39% for the same period in 2011. The decrease in EBITDA as a percentage of revenue is due increased infrastructure required to coordinate and manage the expanded equipment fleet in Canada and a shift in the mix of revenue.

EBITDA for the six months ended June 30, 2012, increased 47% to $11.5 million compared to $7.9 million for the same period in 2011. Increased EBITDA is due to increased revenue during the first six months of 2012 compared to the same period in 2011. EBITDA as a percentage of revenue for the six months ended June 30, 2012, was 31% compared with 37% for the same period in 2011.

U.S. Operations

($000's)	Three months ended June 30, 2012	2011	% chg.	Six months ended June 30, 2012	2011	% chg.
Revenue	19,939	14,476	38	40,851	23,164	76
EBITDA [1]	5,157	5,497	(6)	12,605	8,175	54
EBITDA %	26%	38%		31%	35%	
Capital Expenditures [2]	15,259	12,134	26	28,084	36,090	(22)
Gross Capital Assets	105,674	64,292	64	105,674	64,292	64
Total Assets	123,554	92,693	33	123,554	92,693	33

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) Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.

Revenue for the three months ended June 30, 2012, increased 38% to $19.9 million from $14.5 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. Strad's U.S. Operations experienced lower utilization rates in the Marcellus (PA) resource play during the second quarter as customers continued to reallocate assets towards more oil and natural gas liquids rich drilling within the Marcellus and other resource plays throughout the continental United States. Strad redeployed a portion of its Marcellus equipment fleet, both within the Marcellus and other resource plays, in response to its customers' reallocation of assets. Matting utilization in North Dakota was also lower due to drier conditions during the second quarter of 2012 compared to the same period in 2011.

Revenue for the six months ended June 30, 2012, increased 76% to $40.9 million compared to $23.2 million for the same period in 2011. Increased revenue has been mainly driven by capital additions in 2011 and the first half of 2012. Also, the U.S. Operations is continuing to see increased revenue contributions from new product lines including solids control and satellite communications.

EBITDA for the three months ended June 30, 2012, decreased 6% to $5.2 million compared with $5.5 million for the same period in 2011. The decrease in EBITDA is due to the previously mentioned reduction in utilization rates in the Marcellus and in North Dakota as well as increased infrastructure required to coordinate and manage the expanded fleet. During the second quarter, Strad also incurred $0.6 million of one-time trucking charges associated with redeploying its surface equipment fleet to meet changing customer areas of focus.

EBITDA as a percentage of revenue for the three months ended June 30, 2012, was 26% compared with 38% for the same period in 2011. The decrease in EBITDA as percentage of revenue is due to an increased infrastructure required to coordinate and manage the expanded fleet in the U.S.

EBITDA for the six months ended June 30, 2012, increased 54% to $12.6 million compared to $8.2 million for the same period in 2011. The increase is due to higher activity levels in the Bakken resource play during the first quarter of 2012 compared to 2011. EBITDA as a percentage of revenue for the six months ended June 30, 2012, was 31% compared to 35% in for the same period in 2011.

Product Sales

($000's)	Three months ended June 30, 2012	2011	% chg.	Six months ended June 30, 2012	2011	% chg.
Revenue	18,740	11,230	67	32,303	18,922	71
EBITDA [1]	2,517	1,651	52	4,556	3,207	42
EBITDA %	13%	15%		14%	17%	
Capital Expenditures [2]	475	14	3,293	647	79	719
Total Assets	6,162	4,535	36	6,162	4,535	36

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) *Includes assets acquired under finance lease and purchases of intangible assets. Capital expenditures are net of rental asset disposals.*

Revenue for the three months ended June 30, 2012, increased 67% to $18.7 million from $11.2 million for the same period in 2011 driven primarily by matting sales to external customers. 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 and manufacturing capacity dedicated to external sales.

Revenue for the six months ended June 30, 2012, increased 71% to $32.3 million compared to $18.9 million for the same period in 2011. The increase in revenue was due to the increased manufacturing capacity in Nisku, which resulted in increased sales of manufactured products to external customers, and strong sales of third party mats to existing customers during the first six months of 2012.

EBITDA for the three months ended June 30, 2012, of $2.5 million, improved 52% compared with $1.7 million for the same period in 2011. The increase in EBITDA is due to increased sales during the second quarter. EBITDA as a percentage of revenue for the three months ended June 30, 2012, was 13% compared with 15% for the same period in 2011. EBITDA as a percentage of revenue will vary from quarter to quarter depending on the mix of sales as third party equipment sales and sales of equipment from Strad's existing fleet are at lower margins compared to sales of in-house manufactured products.

EBITDA for the six months ended June 30, 2012, increased 42% to $4.6 million compared to $3.2 million for the same period in 2011. EBITDA as a percentage of revenue for the six months ended June 30, 2012, decreased to 14% from 17% for the same period in 2011.

Corporate

Corporate costs consist of head office infrastructure including Executive members and associated costs of operating a public company. Corporate costs for the three months ended June 30, 2012, were $0.9 million as compared to $0.9 million for the same period in 2011. Corporate costs as a percentage of total revenue during the three months ended June 30, 2012, was 2% compared to 2% for the same period in 2011.

Selling, General and Administrative

Selling, general and administrative ("SG&A") expenses from continuing operations include salaries and other compensation and benefits for sales, office and administrative staff, professional fees, corporate office rent, information systems and communications and marketing for the Company. SG&A expenses increased 24% for the three months ended June 30, 2012, to $8.3 million from $6.7 million for the same period in 2011. The increase is due to higher levels of 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 June 30, 2012, SG&A expenses from continuing operations were 15% compared with 18% for the same period in 2011.

Share-based payments were $0.1 million for the three months ended June 30, 2012, compared with $0.2 million 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 $7.0 million for the three months ended June 30, 2012, compared with $4.6 million for the same period in 2011. Capital additions of $46.7 million during the first half of 2012, and $79.7 million in 2011, increased depreciation and amortization for the respective period.

Interest

Interest expense from continuing operations totaled $0.7 million for the three months ended June 30, 2012, compared with $0.5 million for the same period in 2011. The increase in interest expense was due to higher average debt balances during the three months ended June 30, 2012, compared to the same period in 2011. As at June 30, 2012, total funded debt outstanding was $65 million compared to $41 million as at June 30, 2011. The increase in funded debt at June 30, 2012, is due to capital expenditures of $46.7 million during the first half of 2012 and $79.7 million in 2011.

Gain/Loss on Foreign Exchange

Gain on foreign exchange from continuing operations for the three months ended June 30, 2012, was $32 thousand compared with a loss of $329 thousand 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 weakened by 6% against the U.S. dollar over the past year (1 CAD = 0.98 USD at June 30, 2012, compared to 1 CAD = 1.04 USD at June 30, 2011).

Income Taxes

For the three months ended June 30, 2012, the Company recorded income before income taxes, non-controlling interest and discontinued operations of $3.2 million and the Company incurred current income tax recovery of $0.1 million and future tax expense of $0.7 million from continuing operations, compared to a future income tax expense of $1.8 million for the same period in the prior year. The future 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 future 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 32% for the six months ended June 30, 2012, compared to 33% for the same period in the prior year.

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 condensed interim consolidated financial statements.

For the three months ended June 30, 2012, the Company recorded income of $0.7 million, net of tax, from discontinued operations compared to a loss of $0.01 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 June 30, 2012, non-controlling interest loss of $0.2 million was recorded compared to $0.2 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.

On May 31, 2012, the Company acquired the remaining 10% of the issued shares of one its subsidiaries for share purchase consideration of $1.9 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 $0.8 million, representing the excess between the consideration and the carrying amount of the non-controlling interest.

Reduction of Stated Capital

At the Annual and Special Meeting of Shareholders held on May 9, 2012, a reduction of stated capital of $39.1 million was approved by way of a special resolution which eliminated the $28.3 million deficit as at December 31, 2011, against share capital. The difference between the approved reduction of stated capital and deficit was included in contributed surplus. The entire reduction of stated capital was attributable to previous goodwill write-downs and elimination of the deficit provides a more representative view of the accumulated operating results of Strad.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results from continuing operations as of June 30, 2012, and for the year 2011 and 2010.

	Three months ended (unaudited)			
($000's, except per share amounts)	**Jun. 30, 2012**	**Mar. 31, 2012**	**Dec. 31, 2011**	**Sept. 30, 2011**
Revenue from continuing operations	54,304	56,301	62,098	62,674
EBITDA from continuing operations(1)	10,885	15,981	17,169	17,484
Net income from continuing operations	2,772	5,123	7,661	7,327
Per share ($), basic	0.08	0.14	0.21	0.20
Per share ($), diluted	0.07	0.14	0.21	0.20

	Three months ended (unaudited)			
($000's, except per share amounts)	**Jun. 30, 2011**	**Mar. 31, 2011**	**Dec. 31, 2010**	**Sept. 30, 2010**
Revenue from continuing operations	36,717	26,782	27,462	25,987
EBITDA from continuing operations(1) (2)	10,498	7,158	7,068	7,998
Net income from continuing operations(2)	3,569	1,271	1,818	2,646
Per share ($), basic	0.10	0.03	0.07	0.13
Per share ($), diluted	0.10	0.03	0.06	0.10

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 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

($000's)	**June 30, 2012**	**March 31, 2012**
Current assets	59,559	64,926
Current liabilities	36,028	41,746
Working capital	23,531	23,180
Banking facilities		
Operating facility	5,459	9,673
Syndicated revolving facility	52,500	37,500
Total facility borrowings	57,959	47,173
Total available facilities	100,000	100,000
Unused Borrowing capacity	42,041	52,827

At June 30, 2012, working capital was $23.5 million compared to $23.2 million at March 31, 2012. The change in working capital is consistent with the modest change in revenue from the first quarter of 2012 to the second quarter of 2012. Funds from operations for the six months ended June 30, 2012, increased to $25.8 million compared to $17.4 million for the same period in 2011. During the same period in 2012, Strad spent $46.7 million on capital additions compared to $52.0 million for the same period in 2011. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million 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 of 1.0, 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 June 30, 2012, the overall effective rate on the syndicated banking facility was 4.12%. As of June 30, 2012, $5.5 million was drawn on the operating facility and $52.5 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at June 30, 2012, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at June 30, 2012, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**
Finance Leases	7,310	4,206	3,016	88
Operating leases	15,065	3,761	4,198	7,106
Total Commitments	22,375	7,967	7,214	7,194

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

OUTSTANDING COMPANY SHARE DATA

	As of August 1, 2012 *(unaudited)*
Common shares – voting	37,251,301
Options	2,478,668
Fully diluted Common Shares	39,729,969

OFF BALANCE SHEET ARRANGEMENTS

At June 30, 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 June 30,		Six months ended June 30,	
	2012	**2011**	**2012**	**2011**
Salaries and short-term employee benefits	$ 297	$ 412	$ 582	$ 744
Share-based payments	76	77	297	272
	373	489	879	1,016

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.

On January 12, 2012, the Company sold its 100% shareholdings in Strad Production Services Ltd. and Sunwell Industries Ltd. to a related party, being a former executive of the Company. The Company received proceeds of $8.4 million consisting of $7.4 million cash and a $1.0 million note receivable.

On July 7, 2012, the Company issued a non-interest bearing loan of $335 thousand to an executive officer for purchase of common shares in the Company.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at June 30, 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 exposed to the following additional risks:

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they become due. Management's approach to managing risk includes utilizing detailed working capital, cash and capital expenditure forecasting and monthly budgeting to ensure liquidity is available when the financial obligations are

due. Management's assessment of its liquidity reflects estimates, assumptions and judgements relating to current market conditions.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk associated with its U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/U.S. exchange rates. The Company does not utilize derivative financial instruments with respect to foreign exchange. For the period ended June 30, 2012, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by $47 thousand (2011 - $47 thousand).

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 six months ended June 30, 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 six months ended June 30, 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 market consists of a range of companies, large and small, public and private. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Company, or that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Company. The Company's customers may elect not to purchase its services if they view the Company's financial viability as unacceptable, which would cause the Company to lose customers.

Ongoing Capital Requirements

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

Seasonality of Oilfield Operations

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

Accounts Receivable

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to 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 two customers that accounted for 12% and 11% of revenues each.

Environmental Legislation

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

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

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking statements. More particularly, this MD&A contains forward-looking statements concerning 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 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 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 six months ended June 30, 2012, is calculated as annualized year to date EBITDA divided by the average of total assets over the fourth quarter of 2011 and first quarter of 2012, 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
($000's)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net income from continuing operations	2,772	3,569	7,895	4,840
Add:				
Depreciation and amortization	7,003	4,611	13,256	8,271
Loss/(gain) on disposal of PP&E	(11)	(119)	24	(141)
Non-controlling interest	(187)	(210)	333	333
Share-based payments	113	188	362	361
Deferred income tax expense	748	1,832	2,704	3,043
Interest expense	696	486	1,198	688
Funds from operations	11,134	10,357	25,772	17,395
Add:				
Loss on foreign exchange	(32)	329	369	602
Income tax expense	(104)	-	1,087	20
Subtotal	10,998	10,686	27,228	18,017
Deduct:				
Share-based payments	113	188	362	361
EBITDA	10,885	10,498	26,866	17,656

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

	Three months ended (unaudited)			
	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Net income from continuing operations	2,772	5,123	7,661	7,327
Add:				
Depreciation and amortization	7,003	6,253	5,713	5,215
Loss/(gain) on disposal of PP&E	(11)	35	(96)	52
Loss/(gain) on foreign exchange	(32)	401	52	(916)
Non-controlling interest	(187)	520	543	497
Income tax expense	(104)	1,191	1,177	2,074
Deferred income tax expense	748	1,956	1,499	2,748
Interest expense	696	502	620	487
EBITDA	10,885	15,981	17,169	17,484

	Three months ended (unaudited)			
	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010(1)	Sept. 30, 2010(1)
Net income from continuing operations	3,569	1,271	1,818	2,646
Add:				
Depreciation and amortization	4,611	3,660	3,010	2,724
Finance Costs	-	-	13	22
Gain on disposal of PP&E	(119)	(22)	(5)	(42)
Loss/(gain) on foreign exchange	329	273	529	(211)
Non-controlling interest	(210)	543	76	445
Income tax expense/(recovery)	-	20	(562)	(829)
Deferred income tax expense	1,832	1,211	1,654	2,510
Interest expense	486	202	535	733
EBITDA	10,498	7,158	7,068	7,998

Notes:

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