MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of March 1, 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 year ended December 31, 2011, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the audited consolidated financial statements of Strad for the year ended December 31, 2011, which were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Previously, the Company prepared its Interim and Annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles (**"GAAP"**). Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY".

Additional information relating to Strad for the year ended December 31, 2011, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

With the divestiture of the Production Services business, Strad will be reporting operational and financial results for its core drill-site infrastructure business along geographic lines with a separate segment for product sales. Product Sales are comprised of Strad manufactured products sold to external customers, third party equipment sales to existing customers and sales of equipment from Strad's existing fleet to customers. Results are segmented between Canadian Operations, U.S. Operations and Product Sales to better distinguish between the Company's core operating business and incidental product sales, which can vary widely on a quarter to quarter basis.

For the years ended December 31,
($000's, except per share amounts)

	2011	**2010**	**2009**
Revenue from continuing operations	188,272	89,484	26,020
EBITDA from continuing operations (1)	52,309	23,737	(135)
Per share ($), basic	1.43	1.11	(0.01)
Per share ($), diluted	1.41	0.98	(0.01)
Net income (loss) from continuing operations (2)	19,827	5,997	(7,146)
Per share ($), basic	0.54	0.28	(0.35)
Per share ($), diluted	0.54	0.26	(0.35)
Funds from continuing operations (3)	49,943	23,994	529
Per share ($), basic	1.36	1.12	0.03
Per share ($), diluted	1.35	0.99	0.03
Capital Expenditures from continuing operations (4)	79,695	40,345	8,098
Total assets	227,111	191,468	131,775
Long term debt(5)	26,782	5,282	16,979
Total long term liabilities	40,448	15,744	22,538
Common Shares – end of period	37,246,384	37,246,384	20,149,380
Weighted average Common Shares			
basic	36,692,058	21,405,667	20,155,231
diluted	36,997,563	24,252,939	20,155,231

SEGMENTED INFORMATION

For the years ended December 31,
($000's, except per share amounts)

($000's)	**2011**	**2010**	**% chg.**
Canadian Operations			
Revenue	58,021	37,414	55.1
EBITDA (1)	21,845	14,569	49.9
EBITDA %	37.7%	38.9%	
Capital Expenditures (4)	30,895	14,525	
Gross Capital Assets	83,453	54,894	
Total Assets	108,818	80,231	
U.S. Operations			
Revenue	63,860	30,002	112.9
EBITDA (1)	24,712	9,449	161.5
EBITDA %	38.7%	31.5%	
Capital Expenditures (4)	46,813	25,382	
Gross Capital Assets	77,601	29,363	
Total Assets	91,717	39,636	
Product Sales			
Revenue	66,391	22,068	200.8
EBITDA (1)	9,123	2,606	250.1
EBITDA %	13.7%	11.8%	
Capital Expenditures (4)	924	130	
Corporate			
EBITDA (1)	(3,371)	(2,887)	16.8
Capital Expenditures (4)	1,063	308	
Total EBITDA from continuing operations	52,309	23,737	120.4
Total Capital Expenditures (4)	79,695	40,345	
Return on Average Total Assets (6)	33.9%	28.4%	

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 (loss) 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 and convertible debentures.
(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-related products and services, including a wide assortment of environmental solutions. 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, namely the Marcellus in Pennsylvania, the Bakken in North Dakota, the Eagle Ford in Texas and various areas within the western United States Rockies such as the Niobrara. As of December 31, 2011, the Company has 27 operating locations throughout North America.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Fourth quarter and 2011 EBITDA[1] from continuing operations of $17.2 million and $52.3 million, a 142% and 121% increase, respectively, compared with $7.1 million and $23.7 million for the same periods in 2010;
- Including discontinued operations, fourth quarter and 2011 revenue of $78.7 million and $254.2 million, and fourth quarter and 2011 EBITDA[1] of $18.5 million and $56.9 million;
- Capital expenditures of $21.0 million, net of disposals, in the fourth quarter. Total capital expenditures of $79.7 million in 2011 for continuing operations;
- Continued deployment of assets to high growth resource plays in the United States (U.S.). United States 2011 revenues of $63.9 million increased 113% compared with 2010. Total gross capital assets based in the U.S. now comprise 48% of total Company gross capital assets compared with 35% at the end of 2010;
- Ongoing success in the development of new products, including solids control and waste management, composite matting and satellite communications equipment with $21.2 million spent on new products in 2011;
- Total funded debt to trailing EBITDA ratio of 0.7 at the end of 2011; and
- Accretive divestiture of Production Services Division in January 2012 for consideration of $17.4 million aimed at streamlining the Company's focus on core competencies.

Notes:

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

The exceptional revenue and EBITDA results from continuing operations for the year ended December 31, 2011, are due to the successful execution of Strad's 2010 and 2011 capital programs. During the year, Strad increased its 2011 capital expenditure program to $86.5 million (from $66.5 million), of which $79.7 million was deployed in continuing operations by December 31, 2011. Fourth quarter and 2011 EBITDA from continuing operations were $17.2 million and $52.3 million, a 143% and 120% increase, respectively, compared with $7.1 million and $23.7 million for the same periods in 2010. Had Production Services not been reclassified as discontinued operations for 2011, fourth quarter and full year EBITDA would have been $18.5 million and $56.9 million, respectively.

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 fracing, 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 year ended December 31, 2011, increased 110% to $188.3 million compared with $89.5 million for the same period in 2010. Higher equipment and service utilization, additional capital expenditures and increased product sales contributed to the significant increase in revenue compared to 2010.

Canadian Operations

Revenues generated by the Company's Canadian Operations segment for the year ended December 31, 2011, increased 55% to $58.0 million versus $37.4 million for the same period in 2010. The increase is primarily due to capital additions to the surface equipment fleet during 2011 and the second half of 2010. During 2011, the Canadian Operations segment added $30.9 million of capital additions with $7.9 million being added in the fourth quarter.

U.S. Operations

Revenue generated by the U.S. Operations for the year ended December 31, 2011, increased 113% to $63.9 million from $30.0 million for the same period in 2010. The increase is due to $46.8 million in capital additions to the surface equipment fleet during 2011. The increase is also due to higher utilization rates during 2011 in the North Dakota Bakken resource play, continued focus on expanding the customer base and market share in the U.S., and increased traction from new product deployment including solids control and waste management, communications and composite mats.

Strad also made further in-roads into the American market this year by opening regional offices in Houston, Texas and Pittsburgh, Pennsylvania. By establishing a presence in these two regions, Strad aims to capture increased 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 year ended December 31, 2011, increased 200% to $66.4 million from $22.1 million for the same period in 2010. 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.

Operating Expenses

Consolidated operating expenses from continuing operations increased $58.3 million or 121% to $106.4 million for the year ended December 31, 2011, from $48.1 million for the same period in 2010. Operating expenses increased consistent with revenue for the year ended December 31, 2011.

Selling, General and Administrative

Selling, general and administrative (**"SG&A"**) expenses from continuing operations include salaries and other compensation and benefits and 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 69% for the year ended December 31, 2011, to $28.9 million from $17.1 million for the same period in 2010. The increase is due to higher levels of Company activity and costs associated with being a publicly traded entity, 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 year ended December 31, 2011, SG&A expenses from continuing operations were 15% compared with 19% for the same period in 2010.

Share-based payments were $0.6 million for the year ended December 31, 2011, compared with $0.6 million for the same period in 2010.

EBITDA

Consolidated EBITDA from continuing operations for the year ended December 31, 2011, of $52.3 million improved 121%, compared with $23.7 million for the same period in 2010 for the reasons stated above. EBITDA as a percentage of revenue for the year ended December 31, 2011, was 28% compared with 26% for the same period in 2010.

Canadian Operations EBITDA for the year ended December 31, 2011, of $21.8 million improved 49% compared with $14.6 million for the same period in 2010. The increase in EBITDA during 2011 is due to capital additions of $30.9 million and increased customer activity during 2011. EBITDA as a percentage of revenue for the year ended

December 31, 2011, was 38% compared with 39% for the same period in 2010. The decrease in EBITDA as a percentage of revenue in 2011 is due to additional infrastructure added in 2011 to support the growing Canadian Operations surface equipment fleet.

U.S. Operations EBITDA for the year ended December 31, 2011, of $24.7 million improved 163% compared with $9.4 million for the same period in 2010. The increase in EBITDA during 2011 is the result of capital additions of $46.8 million, increased customer activity in the North Dakota Bakken resource play and increased traction from new product deployment including solids control, communications and composite mats. EBITDA as a percentage of revenue for the year ended December 31, 2011, was 39% compared with 32% for the same period in 2010.

Product Sales EBITDA for the year ended December 31, 2011, of $9.1 million improved 250% compared with $2.6 million for the same period in 2010. The increase in EBITDA during 2011 is due to increased used equipment and third party equipment sales to existing surface equipment customers. EBITDA as a percentage of revenue for the year ended December 31, 2011, was 14% compared with 12% for the same period in 2010.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets used in continuing operations was $19.2 million for the year ended December 31, 2011, compared with $10.6 million for the same period in 2010. Capital additions of $79.7 million in 2011 increased depreciation and amortization for the respective period.

Interest

Interest expense from continuing operations totalled $1.8 million for the year ended December 31, 2011, compared with $2.2 million for the same period in 2010. The decrease in interest expense was due to lower debt balances throughout 2011 compared to 2010. As at December 31, 2011, total funded debt, less cash, outstanding was $36.7 million compared to $1.5 million as at December 31, 2010. The increase in funded debt at December 31, 2011, is due to capital expenditures of $79.7 million in 2011. Also, the Company used proceeds from its initial public offering in 2010 to repay outstanding credit facilities in December 2010.

Gain/Loss on Foreign Exchange

Gain on foreign exchange from continuing operations for the year ended December 31, 2011, was $0.3 million compared with a loss of $0.6 million for the same period in 2010. 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 2% against the U.S. dollar over the past year ($0.983 at December 31, 2011, compared to $0.999 at December 31, 2010).

Income Taxes

For the year ended December 31, 2011, the Company recorded income before income taxes, non-controlling interest and discontinued operations of $31.8 million. For the year ended December 31, 2011, the Company incurred current income tax expense of $3.3 million and future tax expense of $7.3 million from continuing operations, compared to an income tax recovery of $0.3 million and future income tax expense of $4.0 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 annual consolidated financial statements.

For the year ended December 31, 2011, the Company recorded a loss, net of tax, from discontinued operations of $29.9 million compared to income of $1.3 million for the same period in 2010. Included in the loss in 2011, is an impairment of goodwill and intangible assets of $24.6 million recognized on the announcement of the Company's intent to dispose of the Production Services Division. EBITDA from discontinued operations of $4.6 million which was generated on $65.9 million of revenue during the year ended December 31, 2011, compared to EBITDA of $5.1 million which was generated on $67.6 million of revenue during the same period in the prior year. 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 year ended December 31, 2011, non-controlling interest of $1.4 million was recorded compared to $0.7 million for the same period in 2010. 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.

QUARTERLY SEGMENTED INFORMATION

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

($000's)	**2011**	**2010**	**% chg.**
Canadian Operations			
Revenue	19,182	10,995	74.5
EBITDA[1]	6,672	4,393	51.9
EBITDA %	34.8%	40.0%	
Capital Expenditures [2]	7,902	5,345	
Gross Capital Assets	83,453	54,894	
Total Assets	108,818	80,231	
U.S. Operations			
Revenue	21,883	8,200	166.9
EBITDA[1]	8,851	3,016	193.5
EBITDA %	40.4%	36.8%	
Capital Expenditures [2]	12,147	6,183	
Gross Capital Assets	77,601	29,363	
Total Assets	91,717	39,636	
Product Sales			
Revenue	21,033	8,268	154.4
EBITDA[1]	2,625	281	834.2
EBITDA %	12.5%	3.4%	
Capital Expenditures [2]	703	24	
Corporate			
EBITDA[1]	(979)	(622)	57.4
Capital Expenditures [2]	287	109	
Total EBITDA[1]	17,169	7,068	142.9
Total Capital Expenditures [2]	21,039	11,661	
Return on Average Total Assets [3]	36.3%	27.5%	

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

Consolidated Revenue

Consolidated revenue generated from continuing operations for the three months ended December 31, 2011, increased 126% to $62.1 million compared with $27.5 million for the same period in 2010. Higher equipment and service utilization, additional capital expenditures and increased product sales contributed to the significant increase in revenue compared to 2010.

Canadian Operations

Revenues generated from the Company's Canadian Operations segment for the three months ended December 31, 2011, increased 75% to $19.2 million versus $11.0 million for the same period in 2010. The increase is primarily due to $30.9 million of surface equipment capital additions during 2011.

U.S. Operations

Revenue generated from the U.S. Operations for the three months ended December 31, 2011, increased 167% to $21.9 million from $8.2 million for the same period in 2010. The increase is due to $46.8 million of surface equipment capital additions during 2011. Also contributing to the increase in revenue was increased traction from new product deployment including solids control and waste management, communications and composite mats.

Product Sales

Revenue generated from Product Sales for the three months ended December 31, 2011, increased 153% to $21.0 million from $8.3 million for the same period in 2010. The increase is due to more third party equipment sales to existing customers in the fourth quarter of 2011 compared to the fourth quarter of 2010.

EBITDA

Consolidated EBITDA from continuing operations for the three months ended December 31, 2011, of $17.2 million improved 142%, compared with $7.1 million for the same period in 2010. EBITDA as a percentage of revenue for the three months ended December 31, 2011, was 28% compared with 26% for the same period in 2010.

Canadian Operations EBITDA for the three months ended December 31, 2011, of $6.7 million improved 52% compared with $4.4 million for the same period in 2010. The increase in EBITDA during the fourth quarter of 2011 is due to capital additions of $30.9 million and increased customer activity. EBITDA as a percentage of revenue for the three months ended December 31, 2011, was 35% compared with 40% for the same period in 2010. The decrease in EBITDA as a percentage of revenue in 2011 is due to additional infrastructure added to support the Canadian Operations growing surface equipment fleet.

U.S. Operations EBITDA for the three months ended December 31, 2011, of $8.9 million improved 197% compared with $3.0 million for the same period in 2010. The increase in EBITDA during the fourth quarter of 2011 is the result of $46.8 million of capital additions during 2011, increased customer activity in the North Dakota Bakken resource play and increased traction from new product deployment including solids control and waste management, communications and composite mats. EBITDA as a percentage of revenue for the three months ended December 31, 2011, was 41% compared with 37% for the same period in 2010.

Product Sales EBITDA for the three months ended December 31, 2011, of $2.6 million improved 834% compared with $0.3 million for the same period in 2010 for the reasons discussed above. EBITDA as a percentage of revenue for the three months ended December 31, 2011, was 12% compared with 3% for the same period in 2010.

SUMMARY OF QUARTERLY RESULTS

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

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Dec. 31, 2011	**Sept. 30, 2011**	**Jun. 30, 2011**	**Mar. 31, 2011**
Revenue from continuing operations	62,098	62,674	36,717	26,782
EBITDA from continuing operations(1)	17,169	17,484	10,498	7,158
Net income from continuing operations	7,661	7,327	3,609	1,230
Per share ($), basic	0.21	0.20	0.10	0.03
Per share ($), diluted	0.21	0.20	0.10	0.03

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Dec. 31, 2010	**Sept. 30, 2010**	**Jun. 30, 2010**	**Mar. 31, 2010**
Revenue from continuing operations	27,462	25,987	18,634	17,401
EBITDA from continuing operations(1) (2)	7,068	7,998	3,777	4,898
Net income from continuing operations(2)	1,818	2,646	386	1,147
Per share ($), basic	0.07	0.13	0.02	0.06
Per share ($), diluted	0.06	0.10	0.02	0.06

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 a point where the United States operation now contains 48% of total gross capital assets at December 31, 2011, compared to 35% as of December 31, 2010. The United States does not normally experience the same slow down in activity as the WCSB in Q2. Strad product diversity also helps to 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 whereas demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, Strad's principal sources of liquidity include working capital of $16.6 million, a decrease of $16.9 million compared with December 31, 2010, a syndicated banking facility of $100.0 million consisting of a $15.0 million operating facility of which $5.6 million was drawn; and a revolving facility of $85.0 million of which $23.5 million was drawn as of December 31, 2011.

Working Capital

Current assets at December 31, 2011, were $63.0 million, a decrease of $5.4 million from December 31, 2010. The decrease is the result of a reclassification of discontinued operations current assets to assets of disposal group held for sale offset by a decrease in cash of $8.4 million. Total current assets reclassified at December 31, 2011, were $14.1 million and consisted primarily of accounts receivable and inventory.

Current liabilities at December 31, 2011, were $46.4 million, an increase of $11.6 million from December 31, 2010. Bank indebtedness increased by $5.6 million due to increased capital spending and industry activity. Deferred revenue decreased by $1.1 million due to the timing of sales transactions. Income taxes payable increased by $3.4

million due to earnings before income tax from continuing operations of $31.8 million. Current portion lease obligations decreased by $0.3 million due to lease repayments.

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 1.25% on prime rate advances and at the prevailing rate plus a stamping fee of 2.25% on bankers' acceptances. For the year ended December 31, 2011, the overall effective rate on the syndicated banking facility was 4.30%. As of December 31, 2011, $5.6 million was drawn on the operating facility and $23.5 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at December 31, 2011, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at December 31, 2011, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**
Finance Leases	8,325	4,742	3,375	208
Operating leases	16,808	4,023	5,374	7,411
Total Commitments	25,133	8,765	8,749	7,619

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

OUTSTANDING COMPANY SHARE DATA

	As of February 29, 2012 *(unaudited)*
Common shares – voting	37,246,384
Options	2,572,999
Fully diluted Common Shares	39,819,383

OFF BALANCE SHEET ARRANGEMENTS

At December 31, 2011, 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 Committee. The compensation paid or payable to key management for services is shown below:

	Year-ended December 31, 2011	**Year-ended December 31, 2010**
Salaries and short-term employee benefits	$ 3,149	$ 2,293
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	778	147
	3,927	2,440

Certain key management personnel have loans totalling $1.2 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 strong in the fourth quarter, despite ongoing concerns regarding the global macro-economic picture and its potential effect on the North American economy. In the WCSB (Western Canadian Sedimentary Basin), drilling utilization of 54.8% for the fourth quarter of 2011 was up from 49% in the fourth quarter of last year; well permits for the fourth quarter of 2011 increased 15% over the fourth quarter of 2010; and average well depth continued to grow with the number reaching 1,862 metres in 2011 versus 1,679 metres in 2010, an increase of nearly 11%. Positive industry-specific indicators were also present in the United States where the annual rig count increased by nearly 18% over year end 2010 levels. U.S. land well permitting levels also increased with the 2011 total rising 5% from 2010. It is estimated that approximately 65% of U.S. land-based drilling is focused on oil and natural gas liquids.

Low dry natural gas pricing continues to shape exploration activity with industry players shifting their budgets towards those plays that offer exposure to oil and natural gas liquids. In keeping with this trend, Strad has deployed the majority of its asset base to these more active market segments. Overall, demand for Strad's services remained robust throughout 2011, which was reflected in a year over year EBITDA increase of 120%, net of the Company's divested Production Services business. Management anticipates drilling activity to remain steady for the foreseeable future and intends to focus the majority of its resources on the more profitable oil and natural gas liquids segment.

The trend towards horizontal drilling and multi-stage fracing continued on both sides of the border where the industry continued to access both unconventional resource plays and mature conventional plays. In 2011, 58% of U.S. rig activity was focused on horizontal drilling techniques, compared with 56% in 2010. In Canada, 56% of total wells drilled in 2011 were horizontal, compared with 41% in 2010. This shifting focus towards horizontal drilling and multi-stage fracing has allowed Strad to leverage the corresponding demand for greater amounts of equipment at individual sites and the expertise that these increasingly complex operations present. This was ultimately reflected in Strad's 2011 revenue per rig results. On a year over year basis, Strad's revenue per rig in Canada increased from $293,000 to $476,000; while the U.S. saw similar gains, rising from $454,000 in 2010 to $691,000 in 2011. In 2011, Strad equipment and services supported 28% of Canadian active rigs, whereas in the U.S. the Company supported 5% of the active rig count. This percentage in Canada was in line with 2010 levels but increased in the U.S. That said, more rigs were active in 2011 highlighting the increasing reliance of exploration companies on Strad's suite of products and services. In 2011, Strad supported 118 rigs in Canada and 92 in the United States versus 95 and 43, respectively, in 2010.

Associated with this increase in horizontal drilling is the greater attention being paid to the environmental and safety issues associated with these operations. Management remains cognizant of the market opportunity this represents for the Company and has acted proactively over the past year to deploy a host of new product offerings including composite matting, communication systems, and solids control and waste management solutions. Due in part to the successful market acceptance of these new products, the Company officially launched Strad Innovations in the fourth quarter. Strad Innovations streamlines the company's current R&D efforts and focuses a dedicated team on new product development, customer solutions, and business development related activities. Strad Innovations is already in the advanced stages of several new product offerings, including those targeted at meeting the growing focus on frac-water storage and usage. Management views this new initiative as an important catalyst for future revenue streams and is anticipating going to market by mid-2012.

Capital expenditures for the year, totalled $30.9 million in Canada and $46.8 million in the U.S., which represented year over year increases of 113% and 84%, respectively. Strad continues to deploy its capital on a roughly equal basis between its U.S. and Canadian Operations with its $72.0 million capital program for 2012. The Company recently unveiled an additional 20,000 square feet of manufacturing and design facilities in Nisku, Alberta, doubling its manufacturing capacity. The Company views its strong manufacturing capabilities as an important differentiator that allows it to mitigate risk by increasing its capability to scale its asset offerings up or down as industry conditions dictate.

From a macro-level perspective, Management remains aware of the continuing market volatility and its potential to undermine North American crude and natural gas liquids pricing. As such, flexibility and the ability to adjust quickly to fluctuating market conditions remains a key focus for the Company. Management believes this need for flexibility is best served by maintaining a strong balance sheet and nimble operations. The Company remains well capitalized through strong cash flows and funds raised during its initial public offering in November, 2010. Management views funded debt to EBITDA as an important tool in the prudent management of its balance sheet and intends to continue carefully allocating capital. At December 31, 2011, the funded debt to EBITDA ratio for continuing operations was 0.7.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at December 31, 2011, 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 POLICIES

Adoption of International Financial Reporting Standards

The Company has prepared its December 31, 2011, consolidated financial statements in accordance with IFRS 1, First-time Adoption of International Reporting Standards as issued by the IASB. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on the Company's operations, strategic decisions, cash flow and capital expenditures.

Note 4 to the Consolidated Financial Statements presents reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include a reconciliation of deficit and equity as of December 31, 2010, and a reconciliation of comprehensive income and other comprehensive income for the year ended December 31, 2010.

The following provides summary reconciliations of Strad's 2010 previous GAAP and IFRS results along with a discussion of the significant IFRS accounting policy changes.

Deficit	**December 31, 2010** $	**January 1, 2010** $
Deficit as reported under Canadian GAAP	(17,655)	(25,046)
IFRS adjustments increase (decrease)		
Share-based payments	(863)	(498)
Foreign currency translation	71	-
Deferred tax	212	-
Deficit as reported under IFRS	(18,235)	(25,544)

Equity	December 31, 2010 $	January 1, 2010 $
Equity as reported under Canadian GAAP	141,725	75,244
IFRS adjustments increase (decrease)		
Deferred tax	212	-
Foreign currency translation	71	-
Accumulated other comprehensive income	(924)	-
Non-controlling interest	(200)	-
Equity as reported under IFRS	140,884	75,244

Comprehensive income	Year ended December 31, 2010 $
As reported under Canadian GAAP	7,391
Increase (decrease) in net income for:	
Share-based payments	(365)
Deferred tax	212
Foreign currency translation	74
Increase (decrease) in other comprehensive income for:	
Cumulative translation adjustment	(924)
As reported under IFRS	6,388

(1) Equity as reported under Canadian GAAP includes non-controlling interest.

Accounting Policy Changes

The following discussion explains the significant differences between Strad's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

Share-based payments

Under previous GAAP, as a private company, Strad accounted for its stock-based compensation plans whereby the fair market value of option grants was determined using a volatility rate of 0% and an estimated forfeiture rate of 0% in the Black-Scholes pricing model.

IFRS does not provide for alternate accounting policies for private companies and requires the use of a volatility rate based on actual company trading history or the average of the volatility rates of its closest related peer group as well as the application of an estimated forfeiture rate. Accordingly, upon transition to IFRS, the Company recorded an adjustment of $498 thousand to increase contributed surplus to recognize the increase in share-based payments expense with the offset charged to deficit. The Company elected to use the IFRS 1 exemption whereby the share-based payment expense for options that had vested prior to January 1, 2010, were not required to be retrospectively restated. The application of IFRS for share-based payments resulted in a $365 thousand decrease to the Company's previous GAAP net income for the year ended December 31, 2010. Therefore, the total impact to deficit at December 31, 2010, was an increase of $863 thousand.

Foreign currency

Under previous GAAP, the functional currency for the Company's U.S. subsidiary was determined to be the Canadian ("CDN") dollar, consistent with the parent's functional currency. Under IFRS, it was determined the functional currency of the Company's U.S. subsidiary changed from the CDN dollar to the USD dollar in the third quarter of 2010 when revenue generated by the U.S. subsidiary increased substantially as a percentage of total consolidated revenue. The change in functional currency resulted in a decrease in property, plant and equipment of $1.3 million, a decrease in prepaid expenses of $41 thousand, a decrease in non-controlling interest of $0.2 million, a decrease in accumulated other comprehensive income of $0.9 million, net of tax, and a decrease in deficit of $0.3 million.

Intangible assets

Under previous GAAP, computer software was included as a part of property, plant and equipment. Under IFRS, computer software which is not an integral part of computer hardware is recorded as intangible assets instead of property, plant and equipment. Accordingly, upon transition to IFRS, the Company reclassified $0.3 million at January 1, 2010, and December 31, 2010.

Income Taxes

Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and previous GAAP. For the year ended December 31, 2010, the application of the IFRS adjustments discussed above resulted in a $0.3 million decrease in other comprehensive loss and a $0.2 million decrease to the Company's deferred income tax expense and a corresponding increase to the Company's previous GAAP net income.

Under IFRS, all deferred tax assets and liabilities are required to be classed as long-term. Therefore, upon transition, an adjustment was made to reclassify the deferred tax asset of $2.4 million from current to long-term assets at January 1, 2010, and $0.7 million at December 31, 2010.

Impairment

Strad is required to apply the standards under IAS 36 Impairment of Assets on the January 1, 2010, transition date. Under Canadian GAAP, goodwill is tested for impairment at least annually by comparing the carrying value of goodwill at the reporting unit level compared to its fair value which aggregate into its two operating segments at January 1, 2010. Under IFRS, goodwill is tested for impairment at the cash-generating unit ("CGU") level. Goodwill is attributed to the aggregated CGUs that collectively form the respective Drilling Services and Production Services Divisions. This represents the lowest level that goodwill is monitored for internal management purposes. No goodwill or asset impairment was recognized in income in the year due to the transition to IFRS.

Other exemptions

Besides the exemptions mentioned above, Strad has also taken the following exemptions under IFRS 1 at January 1, 2010:

- Business combinations entered into prior to January 1, 2010, were not retrospectively restated under IFRS.

- Share based payments – options which had vested prior to January 1, 2010, were not retrospectively restated under IFRS.

Future accounting pronouncements

All accounting standards effective for periods beginning on or after January 1, 2011, have been adopted. Strad will be required to adopt the following standards and amendments as issued by the IASB. The Company has yet to assess the full impact of the following standards on its consolidated financial statements and the Company does not intend to early adopt any of the new standards.

- IFRS 9 – Financial Instruments, which is the result of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 is applicable to accounting periods beginning on or after January 1, 2015.

- IFRS 10 – Consolidated Financial Statements, which is the result of IASB's project to replace Standing Interpretations Committee 12 – Consolidation – Special Purpose Entities and the consolidation requirements of IAS 27 – Consolidated and Separate Financial Statements. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. IFRS 10 is applicable to accounting periods beginning on or after January 1, 2013.
- IFRS 11 – Joint Arrangements, which is the result of the IASB's project to replace IAS 31 – Interest in Joint Ventures. The new standard redefines joint operations and joint ventures and requires joint operations to be proportionately consolidated and joint ventures to be equity accounted. Under IAS 31, joint ventures could be proportionately accounted. IFRS 11 is applicable to accounting periods beginning on or after January 1, 2013.
- IFRS 12 – Disclosure of Interest in Other Entities, which outlines the required disclosures for interest in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. IFRS 12 is applicable to accounting periods beginning on or after January 1, 2013.
- IFRS 13 – Fair Value Measurement, which provides a common definition of fair value, establishes a framework for measuring fair value under IFRS and enhances the disclosures required for fair value measurements. The standard applies where fair value measurements are required and does not require new fair value measurements. IFRS 13 is applicable to accounting periods beginning on or after January 1, 2013.

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 preceding discussion outlines the Company's significant accounting policies and practices adopted under IFRS. 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.

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 (**"ICFR"**) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. 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 year ended December 31, 2011, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to have materially affected, the Company's internal control 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 break-up 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 11% 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 information contained in management's discussion and analysis of the Company's financial condition and results of the Company's operations 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, pricing of the Company's products and services 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 audited consolidated 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, finance costs, 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 year ended December 31, 2011, is calculated as year to date EBITDA divided by the average of total assets over 2011. Annualized return on average total assets for the three months ended December 31, 2011, is calculated as annualized current period EBITDA divided by the averaged total assets over the prior quarter. 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, where as 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 December 31		**Year Ended December 31,**		
	2011	**2010**	**2011**	**2010**	**2009**
Net income from continuing operations	7,661	1,818	19,827	5,997	(7,146)
Add:					
Depreciation and amortization	5,713	3,010	19,198	10,577	8,032
Finance costs	-	13	-	35	-
(Gain)/loss on disposal of PP&E	(96)	(5)	(185)	(98)	60
Share-based payments	117	435	643	558	250
Non-controlling interest	543	76	1,373	715	-
Deferred income tax (recovery)	1,499	1,654	7,291	3,962	(2,258)
Interest expense	620	535	1,796	2,248	1,591
Funds from operations	16,057	7,536	49,943	23,994	529
Add:					
(Gain)/loss on foreign exchange	52	529	(262)	637	92
Income tax expense (recovery)	1,177	(562)	3,271	(336)	(636)
Amortization of deferred charges	-	-	-	-	130
Subtotal	17,286	7,503	52,952	24,295	115
Deduct:					
Share-based payments	117	435	643	558	250
EBITDA	17,169	7,068	52,309	23,737	(135)

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

	Three months ended (unaudited)			
	Dec. 31, 2011	**Sept. 30, 2011**	**Jun. 30, 2011**	**Mar. 31, 2011**
Net income from continuing operations	7,661	7,327	3,609	1,230
Add:				
Depreciation and amortization	5,713	5,215	4,611	3,660
(Gain)/loss on disposal of PP&E	(96)	52	(130)	(11)
(Gain)/loss on foreign exchange	52	(916)	300	302
Non-controlling interest	543	497	(210)	543
Income tax expense/(recovery)	1,177	2,074	-	20
Deferred income tax expense	1,499	2,748	1,832	1,212
Interest expense	620	487	486	202
EBITDA	17,169	17,484	10,498	7,158

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

	Three months ended (unaudited)			
	Dec. 31, 2010 (1)	**Sept. 30, 2010** (1)	**Jun. 30, 2010** (1)	**Mar. 31, 2010** (1)
Net income from continuing operations	1,818	2,646	386	1,147
Add:				
Depreciation and amortization	3,010	2,724	2,528	2,318
Finance costs	13	22	–	–
(Gain)/loss on disposal of PP&E	(5)	(42)	(48)	(2)
(Gain)/loss on foreign exchange	529	(211)	185	134
Non-controlling interest	76	445	(20)	214
Income tax expense/(recovery)	(562)	(829)	336	719
Deferred income tax expense/(recovery)	1,654	2,510	(128)	(74)
Interest expense	535	733	538	442
EBITDA	7,068	7,998	3,777	4,898

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