MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of February 27, 2013, 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, 2012, 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, 2012, 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 year-ended December 31, 2012, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Revenue from continuing operations of $41.5 million and $203.2 million for the three months and year-ended December 31, 2012, a 33% decrease and 8% increase, respectively, compared with $62.1 million and $188.3 million for the same periods in 2011;
- EBITDA(1) from continuing operations of $7.7 million and $46.6 million for the three months and year-ended December 31, 2012. Adjusted EBITDA, adjusted for the Communications product line non-recurring operating losses, totals $8.4 million and $48.6 million for the three months and year-ended December 31, 2012;
- Management has implemented a restructuring of Strad U.S. Operations that re-aligns the U.S. segment cost structure to reflect current market conditions and increases focus on core areas. The restructuring included staff reductions as well as exiting non-core areas of operation and the Communications product line. The revised cost structure and focus on core areas, enhances margins in the near term and provides sufficient infrastructure to support growth in the U.S. business;
- Capital expenditures were $11.4 million in the fourth quarter and $67.2 million for the year. The 2012 capital program positions the Company very well to meet the evolving needs of our customers and the increased equipment intensity of well-sites;
- Total funded debt(2) to trailing EBITDA ratio of 1.3 to 1 at the end of the fourth quarter of 2012; and,
- Earnings (loss) per share from continuing operations of $(0.10) and $0.20 for the three months and year-ended December 31, 2012, respectively. Adjusted for one time and non-recurring items(3), earnings per share would otherwise be $0.03 and $0.35 for the three months and year-ended December 31, 2012.

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation". Note EBITDA excludes Restructuring Expenses.*
(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".*
(3) *One time and non-recurring items include Restructuring expense, Impairment loss, and Communications operating losses.*

YEAR END FINANCIAL HIGHLIGHTS

	Three months ended December 31,			Year-Ended December 31,		
($000's, except per share amounts)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**2010**
Revenue from continuing operations	41,465	62,098	(33)	203,164	188,272	89,484
EBITDA from continuing operations (1)	7,675	17,169	(55)	46,571	52,309	23,737
Communications operating loss	679	213	219	2,012	1,033	-
EBITDA (Adjusted) (1)	8,354	17,382	(52)	48,583	53,342	23,737
EBITDA as a % of revenue	19%	28%		23%	28%	27%
Per share ($), basic	0.21	0.47	(55)	1.27	1.43	1.11
Per share ($), diluted	0.20	0.47	(57)	1.24	1.41	0.98
Net (loss) income from continuing operations (2)	(3,490)	7,661	(146)	7,342	19,827	5,997
Per share ($), basic	(0.10)	0.21	(148)	0.20	0.54	0.28
Per share ($), diluted	(0.09)	0.21	(143)	0.20	0.54	0.25
Funds from continuing operations (3)	8,122	16,057	(49)	44,844	49,943	23,994
Per share ($), basic	0.22	0.44	(50)	1.22	1.36	1.12
Per share ($), diluted	0.22	0.43	(49)	1.19	1.35	0.99
Capital Expenditures from continuing operations (4)	11,397	21,039	(46)	67,153	79,695	40,345
Total assets(5)	232,705	227,111	2	232,705	227,111	191,468
Return on Average Total Assets (6)	13%	36%		20%	34%	28%
Long-term debt(7)	55,500	23,500	136	55,500	23,500	-
Total long-term liabilities(5)	67,064	40,448	66	67,064	40,448	15,744
Common Shares – end of period ('000's)	37,251	37,246		37,251	37,246	37,246
Weighted average Common Shares						
basic	36,572	36,692		36,655	36,692	21,406
diluted	37,489	36,919		37,550	36,998	24,253

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". EBITDA excludes Restructuring Expenses.*
(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) *Includes discontinued operations in 2011 and 2010 figures.*
(6) *Return on average total assets is not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(7) *Excluding current portion.*

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of well-site infrastructure and activation solutions, including Surface Equipment, Environmental and Access Matting, frac-water management (EcoPond™), Drill Pipe, Solids Control and Waste Management, and Manufacturing and Equipment Design. Strad has strategically diversified its operations through the addition of new products and services, and is geographically diversified across North America. Strad's commodity exposure includes conventional and unconventional oil, liquids rich natural gas and dry natural gas. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin ("WCSB") into resource plays in the United States ("U.S."), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, and select areas within the western United States Rockies. As of December 31, 2012, the Company has 32 operating locations throughout North America.

FOURTH QUARTER RESULTS

Strad reported a decrease in revenue of 33% during the three months ended December 31, 2012, compared with the same period in 2011. Substantially decreased revenue from Product Sales, lower activity levels and pricing in the Marcellus region, and delayed deployment of surface equipment and reduced matting utilization in the WCSB, were the main drivers for lower revenue year-over-year.

Strad's Canadian Operations reported lower revenue and EBITDA during the three months ended December 31, 2012, compared with the same period in 2011. Decreased revenue was a result of reduced drilling activity in the WCSB coupled with colder weather which resulted in lower matting utilization during the fourth quarter of 2012. A delay in the ramp up of winter drilling programs in the WCSB prior to the end of December, coupled with the impact of a longer Christmas break, resulted in a 26% year-over-year decline in active rigs.

Strad's U.S. Operations continued to be impacted by higher year-over-year operating costs combined with lower year-over-year drilling rig utilization levels and lower year-over-year pricing in the Marcellus resource play in Pennsylvania. As has been the case during the second half of 2012, Strad's customer base in the Marcellus continues to focus on oil and higher margin liquids rich natural gas drilling in other resource plays. Overall active rig counts in the Marcellus continue to be below 2011 levels. Rig counts in the Bakken have been more stable year-over-year, however Strad's operations have been impacted by lower matting utilization and some pricing pressure.

During the fourth quarter, Strad added $7.9 million of capital assets in Canada and $2.5 million in the U.S. For the year-ended December 31, 2012, Strad spent $67.2 million of its budgeted $72.0 million capital program. Strad continued to invest in new product initiatives including its frac-water storage solution, EcoPond™, as well as Solids Control and Waste Management.

The Company's equipment fleet expansion in 2012 was balanced in Canada between the matting and surface equipment product lines. In the U.S. segment, capital investment was weighted more to the matting and solids control product lines. The 2012 capital program positions the Company very well to meet the evolving needs of our customers and the increased equipment intensity of well-sites.

RESTRUCTURING

In response to year-over-year declines in U.S. margins, management implemented a restructuring of Strad's U.S. Operations. Strad's restructuring plan consists of the three strategic moves: exiting non-core resource plays where Strad does not have a significant market share, re-aligning the U.S. cost structure to reflect current market conditions and ceasing to offer Communications as a product line. Management has recorded a restructuring provision of $4.1 million to reflect the one-time costs associated with the restructuring.

Management made the strategic decision to exit certain markets and regions to focus on core resource plays where Strad already has a significant presence and larger market share. Exiting non-core markets, such as the Eagle Ford in Texas, will sharpen Strad's operational focus on growth in the Bakken resource play in North Dakota and the Marcellus play in Pennsylvania. Management believes there are excellent opportunities for growth in these key areas and will continue to leverage its strong customer relationships to gain market share. In addition, management expects that exiting marginal operating regions will have a positive impact on margins in 2013.

The second part of management's restructuring plan consists of re-aligning Strad's U.S. Operations infrastructure with current market conditions and day rates. This alignment has been initiated through staff reductions and facility closures as well as termination of select service provider contracts. This re-alignment will retain sufficient infrastructure to support both current activity levels as well as near term growth.

Management has also determined that further investment in the Communications product line was unlikely to generate returns consistent with original expectations and the Company has ceased to offer Communications as a product line. The operating loss experienced in this product line totaled $0.7 million in the fourth quarter of 2012 and $2.0 million for the year-ended December 31, 2012. Although management does not expect to incur continued operating losses in 2013 after the product line has been wound down, some costs will be incurred during the first quarter of 2013 as the equipment is returned from client sites and prepared for a potential sale. Management does not expect these costs to be significant and has included related employee severance costs in the 2012 restructuring provision. Any proceeds generated from the sale of assets or winding down of the product line will be used to reduce debt or fund Strad's 2013 capital program.

On February 15, 2013, the Company sold a portion of the Communications equipment classified as assets held for sale for cash proceeds of $1.8 million.

Below is a table showing adjusted fourth quarter EBITDA with the loss from Communications added back.

($000's)	Three months ended December 31, 2012
EBITDA[(1)]	7,675
Communications non-recurring operating loss	679
Adjusted fourth quarter EBITDA[(1)]	8,354

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". EBITDA excludes Restructuring Expenses.*

OUTLOOK

Overall industry conditions during the fourth quarter slowed on a year-over-year basis as a result of the continued shift away from less profitable dry natural gas plays as well as generally lower capital spending levels on the part of exploration and production ("E&P") companies across North America. In the WCSB, active drilling rigs in the fourth quarter of 2012 averaged 362 compared with 489 for the same period in 2011, a 26% decline. Average active rigs were up 9% sequentially in the WCSB over the third quarter. In the United States, drilling rig activity levels varied by region. Following Strad's operational restructuring, the majority of Strad's U.S. fleet now operates in the Bakken and Marcellus resource plays. The active rig count in the Bakken averaged 197 rigs in the fourth quarter of 2012, level with 197 in the prior year period. A decline was also evident in the gas-weighted Marcellus play, where the active rig count averaged 91 in the fourth quarter of 2012, down from 137 in the prior year period, a 34% decline. On a sequential basis, rig counts in the Bakken and Marcellus dropped slightly from the third quarter of 2012, down 6% and 2%, respectively.

As a result of moderating industry conditions and a slower ramp up to the winter drilling season, combined with the expected seasonal reduction in the matting business following the arrival of colder weather, Company-wide EBITDA from continuing operations dropped in the fourth quarter of 2012, down 55% from the same period last year. Much of the reduction was attributable to the U.S. business where the ongoing impact of low natural gas pricing continued to curtail rig activity. In response to the Company's resulting U.S. margin compression, management has taken steps to reduce U.S. infrastructure costs. The restructuring of the cost base has resulted in a staff level decrease in U.S. based personnel and an exit from Strad's non-core U.S. markets such as the Eagle Ford resource play in Texas. The Company is now focused only in those markets where it can best leverage its significant on the ground presence, relationships and brand equity to sustainably grow its business. Management believes that this leaner cost base will still support growth opportunities in its core U.S. markets and remains focused on expanding its presence in the Marcellus and Bakken plays, where nearly all of its total U.S. fleet is now positioned. The Company's lowered cost base and sharpened operational focus are expected to yield increased U.S. EBITDA margins beginning in the second quarter of 2013.

Capital expenditures for 2012 totaled $29.5 million in Canada and $34.9 million in the U.S. This represents year-over-year declines of 5% and 26%, respectively. The lower spending in 2012 is partly a byproduct of the significant investment made in the prior year as well as a response to moderating industry activity. With similar industry conditions expected to persist into 2013, Strad intends to maintain a prudent approach to capital spending by applying free cash flow to a combination of capital expenditures and debt reduction on a quarter by quarter basis. Management views this as an appropriate risk mitigation technique that will allow the Company to selectively target key areas for growth, maintain its current dividend, and facilitate its plan to pay down a portion of its debt in 2013.

With both broader economic and industry-specific conditions expected to remain uncertain into 2013, Strad has actively addressed costs for the near-term, while remaining well positioned to act on opportunities for future growth. As such, the Company has re-focused its efforts on those core markets and product offerings that present the highest potential for both current and future returns. Strad's new 45,000 barrel composite EcoPond™ offering is just one example of investment in a product portfolio designed to satisfy market demand for innovative products and services. Management is taking a balanced approach to managing risk and containing costs while also supporting growth that will help mitigate the impact of depressed and volatile market conditions.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended December 31,			Year-Ended December 31,		
($000's)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**% chg.**
Revenue	16,437	19,182	(14)	73,053	58,021	26
EBITDA [(1)]	4,913	6,672	(26)	24,056	21,845	10
EBITDA %	30%	35%		33%	38%	
Capital Expenditures [(2)]	7,921	7,902	-	29,453	30,895	(5)
Gross Capital Assets	110,681	83,453	33	110,681	83,453	33
Total Assets	108,841	99,216	10	108,841	99,216	10

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". EBITDA excludes Restructuring Expenses.

(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 December 31, 2012, decreased 14% to $16.4 million versus $19.2 million for the same period in 2011. Fourth quarter 2012 revenue declined primarily due to decreased matting deployment as a result of colder weather, which resulted in greater seasonal decline in matting demand in 2012 than in 2011. Surface equipment revenues also decreased year-over-year due to a slower start to winter drilling programs with many companies electing to defer the start of their programs until after the Christmas break.

Revenue generated for the year-ended December 31, 2012, increased 26% to $73.1 million compared with $58.0 million for the same period in 2011. Deployment of assets added as part of the 2011 and 2012 capital programs continue to be the main driver of the revenue increase year-over-year.

EBITDA for the three months ended December 31, 2012, of $4.9 million, decreased 26% compared with $6.7 million for the same period in 2011. EBITDA as a percentage of revenue for the three months ended December 31, 2012, was 30% compared with 35% for the same period in 2011 due to lower revenue combined with increased infrastructure costs to support a larger asset base. Also contributing to lower margins was a modest shift in product mix in the fourth quarter of 2012 compared to 2011.

EBITDA for the year-ended December 31, 2012, increased 10% to $24.1 million compared with $21.8 million for the same period in 2011. Increased EBITDA is due to increased revenue as discussed previously. EBITDA as a percentage of revenue for the year-ended December 31, 2012, was 33% compared with 38% for the same period in 2011. The decrease in margin is due to increased infrastructure needed to support the growth in asset base, as well as a modest change in product mix.

U.S. Operations

	Three months ended December 31,			Year-Ended December 31,		
($000's)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**% chg.**
Revenue	14,080	21,883	(36)	71,482	63,860	12
EBITDA [(1)]	2,163	8,851	(76)	17,552	24,712	(29)
EBITDA %	15%	40%		25%	39%	
Capital Expenditures [(2)]	2,495	12,147	(79)	34,868	46,813	(26)
Gross Capital Assets	108,839	77,601	40	108,839	77,601	40
Total Assets	112,880	101,319	11	112,880	101,319	11

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". EBITDA excludes Restructuring Expenses.

(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 December 31, 2012, decreased 36% to $14.1 million from $21.9 million for the same period in 2011. The decrease was a result of the reduction in drilling activity in Strad's operating regions, which was most pronounced in Pennsylvania's Marcellus resource play where Strad's U.S. Operations experienced lower utilization rates and lower pricing due to customer shifts towards other oil and natural gas liquids rich resource plays. Rig counts in the Marcellus peaked in the third quarter of 2011 and continued to trend downward through 2012. Year-over-year, rig counts have declined 17%. Strad continues to refocus its operations on core areas with the greatest growth potential as previously discussed. Although pricing declines were more pronounced in the Marcellus region, Strad's pricing in the Bakken also declined year-over-year.

Revenue for the year-ended December 31, 2012, increased 12% to $71.5 million compared with $63.9 million for the same period in 2011. Increased revenue has been mainly driven by capital additions in 2011 and the first half of 2012.

EBITDA for the three months ended December 31, 2012, decreased 76% to $2.2 million, excluding restructuring charges of $4.1 million, compared with $8.9 million for the same period in 2011. EBITDA as a percentage of revenue for the three months ended December 31, 2012, was 15% compared with 40% for the same period in 2011. The decrease in EBITDA is due to the previously mentioned reduction in overall asset utilization rates in the Marcellus, lower matting utilization rates in the Bakken, additional infrastructure added during 2011 and 2012, as well as a shift in product mix. In response to decreased margins, the Company has implemented its restructuring plan, which management expects will generate cost savings of approximately $1.5 million per quarter, with the savings beginning to be fully realized in the second quarter of 2013.

EBITDA for the year-ended December 31, 2012, decreased 29% to $17.6 million compared to $24.7 million for the same period in 2011. The decrease, despite the higher revenue, is due to the increased operating costs as well as a shift in product mix. EBITDA as a percentage of revenue for the year-ended December 31, 2012, was 25% compared with 39% for the same period in 2011.

Product Sales

	Three months ended December 31,			**Year-Ended December 31,**		
($000's)	**2012**	**2011**	**% chg.**	**2012**	**2011**	**% chg.**
Revenue	10,948	21,033	(48)	58,629	66,391	(12)
EBITDA [1]	1,560	2,626	(41)	8,473	9,123	(7)
EBITDA %	14%	12%		14%	14%	
Capital Expenditures [2]	843	703	20	1,698	924	84
Total Assets	6,377	6,495	(2)	6,377	6,495	(2)

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". EBITDA excludes Restructuring Expenses.*

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

Revenue for the three months ended December 31, 2012, decreased 48% to $10.9 million from $21.0 million for the same period in 2011 resulting primarily from lower drill pipe and matting Product Sales in Canada. In 2011, the Company made one large sale to a customer that did not recur in 2012. There were more matting sales prior to the winter drilling season in 2011 than there were in 2012.

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 year-ended December 31, 2012, decreased 12% to $58.6 million compared with $66.4 million for the same period in 2011. The decrease in revenue was due to fewer mat and drill pipe sales in Canada during the fourth quarter of 2012 compared to 2011.

EBITDA for the three months ended December 31, 2012, of $1.6 million, declined by 41% compared with $2.6 million for the same period in 2011. The decrease in EBITDA is due to lower sales during the fourth quarter of

2012. EBITDA as a percentage of revenue for the three months ended December 31, 2012, was 14% compared with 12% 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 than sales of in-house manufactured products.

EBITDA for the year-ended December 31, 2012, of $8.5 million, declined by 7% compared with $9.1 million for the same period in 2011. EBITDA as a percentage of revenue for the year-ended December 31, 2012 remained consistent at 14%.

Corporate

Selling, general and administrative expenses are largely allocated to the operating segments and reflected in the EBITDA performance discussed previously. The remaining unallocated Corporate costs consist of head office infrastructure including executive members and associated costs of operating a public company. Corporate costs for the year-ended December 31, 2012, were $3.5 million as compared to $3.4 million for the same period in 2011. Corporate costs as a percentage of total revenue during the year-ended December 31, 2012, remained consistent with 2011 at 2%.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets used in continuing operations was $28.3 million for the year-ended December 31, 2012, compared to $19.2 million for the same period in 2011. Capital additions of $67.2 million during the year-ended December 31, 2012, and $79.7 million in 2011, increased depreciation and amortization during 2012.

Interest and Finance Fees

Interest expense from continuing operations totaled $2.7 million for the year-ended December 31, 2012, compared to $1.7 million for the same period in 2011. The increase in interest expense was due to higher average debt balances during 2012, compared to 2011. As at December 31, 2012, total funded debt outstanding was $63.0 million compared to $36.7 million as at December 31, 2011. The increase in funded debt at December 31, 2012, is due to capital expenditures of $67.2 million during 2012.

Finance fees from continuing operations totaled $0.2 million for the year-ended December 31, 2012, compared to $0.1 million for the same period in 2011. Financing fees are costs incurred to secure debt financing. The increase in fees for the year-ended December 31, 2012, is due to costs incurred to amend Strad's syndicated credit agreement in 2012.

Restructuring Costs

Restructuring costs provided for in 2012 total $4.1 million and relate to one-time costs incurred regarding the U.S., operation restructuring that has been implemented in 2013. These costs include severance costs related to staff reductions as well as costs to close premises, cancel services contracts and move equipment from the Eagle Ford area. Management anticipates that the cost savings from this restructuring will be fully achieved by the second quarter of 2013.

Impairment of Assets

Pursuant to Strad's decision that further investment in the Communications product line was not aligned with Strad's strategic objectives and its subsequent decision to cease to offer Communications as a product line, Strad has recognized an impairment on its assets of $2.4 million.

Gain/Loss on Foreign Exchange

Loss on foreign exchange from continuing operations for the year-ended December 31, 2012, was $0.7 million compared to a gain of $0.3 million for the same period in 2011. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/U.S. exchange rates. The Company has exposure to U.S. dollars as operations in the U.S. have become a significant component of the combined operations. The Canadian dollar has strengthened by 3% against the U.S. dollar over the past year (1 CAD = 1.01 USD at December 31, 2012, compared to 1 CAD = 0.98 USD at December 31, 2011).

Income Taxes

For the year-ended December 31, 2012, the Company recorded income before income taxes, non-controlling interest and discontinued operations of $7.9 million and the Company incurred current income tax expense of $1.9 million and a deferred income tax recovery of $1.6 million from continuing operations, compared to a current tax expense of $3.3 million and a deferred income tax expense of $7.3 million for the same period in 2011. The deferred income tax expense, or recovery, represents timing differences between accounting book value and tax basis. The anticipated amount and timing of expense or recovery of deferred income 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 3% for the year-ended December 31, 2012, compared to 33% for the same period in 2011. The overall effective tax rate for the year-ended December 31, 2012, was lower due to a net loss in a higher tax rate foreign jurisdiction.

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 consolidated financial statements.

For the year-ended December 31, 2012, the Company recorded income of $0.4 million, net of tax, from discontinued operations compared to a loss of $29.9 million, net of tax, for the same period in 2011.

Non-Controlling Interest

For the year-ended December 31, 2012, non-controlling interest of $0.4 million was recorded compared to $1.4 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. The Company purchased the only remaining minority interest in one of its subsidiaries on October 1, 2012.

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.

On October 1, 2012, the Company acquired the remaining 10% of the issued shares of one of its subsidiaries for purchase consideration of $1.2 million. The Company now holds 100% of the equity share capital of the subsidiary. The Company recorded a decrease in equity attributable to owners of the parent of $1.0 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 $29.8 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

($000's, except per share amounts)	Three months ended (unaudited) Dec. 31, 2012	Sep. 30, 2012	Jun. 30, 2012	Mar. 31, 2012
Revenue from continuing operations	41,465	51,094	54,304	56,301
EBITDA from continuing operations(1)	7,675	12,030	10,885	15,981
Communications Operating Loss	679	610	556	167
EBITDA (Adjusted)	8,354	12,640	11,441	16,148
Net (loss) income from continuing operations	(3,490)	2,937	2,772	5,123
Per share ($), basic	(0.10)	0.08	0.08	0.14
Per share ($), diluted	(0.09)	0.08	0.07	0.14

($000's, except per share amounts)	Three months ended (unaudited) Dec. 31, 2011	Sep. 30, 2011	Jun. 30, 2011	Mar. 31, 2011
Revenue from continuing operations	62,098	62,675	36,717	26,782
EBITDA from continuing operations(1) (2)	17,169	17,484	10,498	7,158
Communications Operating Loss	213	179	358	283
EBITDA (Adjusted)	17,382	17,663	10,856	7,441
Net income from continuing operations(2)	7,661	7,325	3,569	1,271
Per share ($), basic	0.21	0.20	0.10	0.03
Per share ($), diluted	0.21	0.20	0.10	0.03

Notes:

(1) *EBITDA is a not a recognized measure under IFRS or previous GAAP; see "Non-IFRS Measures Reconciliation".*
(2) 2011 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)	December 31, 2012	September 30, 2012
Current assets	50,010	55,238
Current liabilities	36,982	31,121
Working capital	13,028	24,117
Banking facilities		
Operating facility	2,488	3,515
Syndicated revolving facility	55,500	53,500
Total facility borrowings	57,988	57,015
Total available facilities	110,000	110,000
Unused Borrowing capacity	52,012	52,985

At December 31, 2012, working capital was $13.0 million compared with $24.1 million at September 30, 2012. The reduction in working capital is consistent with the change in revenue from the third quarter of 2012 to the fourth quarter of 2012. Funds from operations for the year-ended December 31, 2012, decreased to $44.8 million compared with $49.9 million for the same period in 2011. During the same period in 2012, Strad spent $67.2 million on capital additions compared with $79.7 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.

On August 25, 2012, the Company amended its syndicated credit facility, increasing the operating facility by $10.0 million USD, decreasing standby rates charged on the undrawn portion of the committed facility, and extending the maturity date to July 25, 2015. The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million CAD and $10.0 million USD 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 funded debt to EBITDA ratio of 1.3 to 1 at the end of the fourth quarter of 2012, 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, 2012, the overall effective rate on the operating facility and revolving facility were 4.21% and 3.77%, respectively. As of December 31, 2012, $2.5 million was drawn on the operating facility and $55.5 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

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

CONTRACTUAL OBLIGATIONS

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

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4 Years and Beyond**
Finance Leases	5,372	2,962	2,228	182
Operating leases	13,550	3,477	4,432	5,641
Total Commitments	18,922	6,439	6,660	5,823

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

OUTSTANDING COMPANY SHARE DATA

	As of February 20, 2013 *(unaudited)*
Common shares – voting	37,251,301
Options	2,084,666
Fully diluted Common Shares	39,335,967

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Compensation of key management

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

	Year-Ended December 31,	
	2012	**2011**
Salaries and short-term employee benefits	$ 2,036	$ 2,897
Share-based payments	703	778
Termination payments	600	252
	3,339	3,927

Certain key management personnel and a director have loans totaling $1.8 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, and bears interest at the Company's prime lending rate thereafter. The loan is repayable upon the earlier of 10 years from the date of grant or upon termination of the Executive's employment.

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 June 1, 2012, a member of key management was granted a non-interest bearing forgivable loan of $100 thousand from the Company. The loan is forgiven in $20 thousand dollar increments annually over the next five years on each anniversary date of the loan based on continuous employment.

On June 29, 2012, the Company issued a loan of $335 thousand to an executive officer for purchase of common shares in the Company.

On August 20, 2012, the Company issued a loan of $243 thousand to a member of the Executive Management team for purchase of common shares in the Company.

On December 11, 2012, the Company issued a loan of $193 thousand to a member of the Executive Management team for purchase of common shares in the Company.

FINANCIAL INSTRUMENTS

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

The Company is 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 judgments 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 year-ended December 31, 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 $24 thousand (2011 - $148 thousand).

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(i) New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2012, that would be expected to have a material impact on the Company. There have been no changes in the Company’s accounting policies in the year-ended December 31, 2012.

(ii) New standards, amendments and interpretations issued but not yet effective for the first time for the financial year beginning on or after January 1, 2013.

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning January 1, 2015.

IFRS 10, ‘Consolidated financial statements’ builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard is not expected to have a material impact on the Company’s financial statements and the Company intends to adopt IFRS 10 no later than the accounting period beginning January 1, 2013.

IFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this standard is not expected to have a material impact on the Company’s financial statements and the Company intends to adopt IFRS 12 no later than the accounting period beginning January 1, 2013.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The Company is yet to assess IFRS 13’s full impact and intends to adopt IFRS 13 no later than the accounting period beginning January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

CRITICAL ACCOUNTING ESTIMATES

The timely preparation of the consolidated financial statements requires that Management make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by Management in the preparation of these consolidated financial statements are outlined below.

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

The Company tests annually whether goodwill has suffered any impairment. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value of an asset or CGU may not be recoverable. The recoverable amounts of assets or CGU's 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 judgments. 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 judgments of fair value using market conditions as well as estimations of costs to sell.

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.

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.

Restructuring provisions related to penalties for lease termination, equipment relocation costs and employee termination payments receive special attention from Management. Actual cash outlays may differ from those provided for.

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, 2012, 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, 2012, 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 2012, 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 year-ended December 31, 2012, which have materially affected, or are reasonably likely to materially affect, Strad's disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company will have to certify on a quarterly and annual basis that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework ("COSO Framework") published, by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Chief Executive Officer and Chief Financial Officer of the Company directed the assessment of the design and operating effectiveness of the Company's internal controls over financial reporting as at December 31, 2012, 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, 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 one customer that accounted for 10% of revenue from continuing operations.

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 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, finance fees, taxes, depreciation and amortization, non-controlling interest, loss on disposal of property, plant and equipment, loss on foreign exchange, restructuring charges, impairment loss, 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. Adjusted EBITDA is calculated as EBITDA discussed above plus Communications operating loss.

Funds from operations are cash flow from operating activities excluding changes in working capital and discontinued operations plus restructuring expense. 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 year-ended December 31, 2012, is calculated as annualized year to date EBITDA divided by the average of total assets over the fourth quarter of 2011 and first, second and third quarters 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 December 31,		Year Ended December 31,		
	2012	**2011**	**2012**	**2011**	**2010**
Net income from continuing operations	(3,490)	7,661	7,342	19,827	5,997
Add:					
Depreciation and amortization	7,667	5,713	28,285	19,198	10,577
Loss/(gain) on disposal of PP&E	226	(96)	272	(185)	(98)
Non-controlling interest	-	543	355	1,373	715
Share-based payments	239	117	819	643	558
Deferred income tax (recovery)/expense	(3,804)	1,499	(1,628)	7,291	3,962
Financing fees	66	-	245	-	35
Restructuring expense	4,129	-	4,129	-	-
Impairment Loss	2,350	-	2,350	-	-
Interest expense	739	620	2,675	1,796	2,248
Funds from operations	8,122	16,057	44,844	49,943	23,994
Add:					
(Gain)/loss on foreign exchange	(195)	52	684	(262)	637
Current income tax (recovery)/expense	(13)	1,177	1,862	3,271	(336)
Subtotal	7,914	17,286	47,390	52,952	24,295
Deduct:					
Share-based payments	239	117	819	643	558
EBITDA	7,675	17,169	46,571	52,309	23,737
Communications Operating Loss	679	213	2,012	1,033	-
EBITDA (Adjusted)	8,354	17,382	48,583	53,342	23,737

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

	Three months ended (unaudited)			
	Dec. 31, 2012	**Sep. 30, 2012**	**Jun. 30, 2012**	**Mar. 31, 2012**
Net income from continuing operations	(3,490)	2,937	2,772	5,123
Add:				
Depreciation and amortization	7,667	7,362	7,003	6,253
Loss/(gain) on disposal of PP&E	226	22	(11)	35
(Gain)/loss on foreign exchange	(195)	510	(32)	401
Non-controlling interest	-	22	(187)	520
Current income tax (recovery)/expense	(13)	788	(104)	1,191
Deferred income tax (recovery)/expense	(3,804)	(528)	748	1,956
Interest expense	739	854	638	444
Restructuring expense	4,129	-	-	-
Impairment Loss	2,350	-	-	-
Finance fees	66	63	58	58
EBITDA	7,675	12,030	10,885	15,981
Communications Operating Loss	679	610	556	167
EBITDA (Adjusted)	8,354	12,640	11,441	16,148

	Three months ended (unaudited)			
	Dec. 31, 2011	**Sep. 30, 2011**	**Jun. 30, 2011**	**Mar. 31, 2011**
Net income from continuing operations	7,661	7,325	3,569	1,272
Add:				
Depreciation and amortization	5,713	5,214	4,611	3,660
(Gain)/loss on disposal of PP&E	(96)	52	(119)	(22)
Loss/(gain) on foreign exchange	52	(915)	329	272
Non-controlling interest	543	497	(210)	543
Current income tax expense	1,177	2,074	-	20
Deferred income tax expense	1,499	2,749	1,832	1,211
Interest expense	620	457	486	202
Restructuring expense	-	-	-	-
Impairment Loss	-	-	-	-
Finance fees	-	31	-	-
EBITDA	17,169	17,484	10,498	7,158
Communications Operating Loss	213	179	358	283
EBITDA (Adjusted)	17,382	17,663	10,856	7,441