MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of November 9, 2011 and is intended to assist the reader to understand the current and prospective financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company")**. This MD&A discusses the operating and financial results for the three and nine months ended September 30, 2011, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited interim Consolidated Financial Statements of Strad for the three and nine months ended September 30, 2011, which were prepared in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", 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 three and nine months ended September 30, 2011, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

For the three and nine months ended September 30, *($000's, except per share amounts)*	**Three months ended September 30,**			**Nine months ended September 30,**		
	2011	**2010**	**% chg.**	**2011**	**2010**	**% chg.**
Revenue	78,121	41,615	88	175,482	108,683	61
EBITDA(1)	18,599	8,591	116	38,364	20,442	88
Per share ($), basic	0.51	0.44		1.05	1.04	
Per share ($), diluted	0.50	0.34		1.04	0.92	
Net Income	7,436	2,323	220	12,580	4,733	166
Per share ($), basic	0.20	0.12	67	0.34	0.24	42
Per share ($), diluted	0.20	0.10		0.34	0.23	
Funds from Operations(2)	17,324	10,371	67	37,346	20,541	82
Per share ($), basic	0.47	0.53		1.02	1.04	
Per share ($), diluted	0.47	0.41		1.01	0.93	
Capital Expenditures(3)	6,817	11,544		58,927	30,501	
Total assets	260,575	165,445	57	260,575	165,445	57
Long-term debt(4)	29,526	36,880		29,526	36,880	
Total long-term liabilities	61,175	43,207		61,175	43,207	
Common Shares – end of period ('000's)	37,246	20,403		37,246	20,403	
Weighted average Common Shares						
basic	36,692	19,727		36,692	19,743	
diluted	37,036	25,264		37,018	22,127	

SEGMENTED INFORMATION

For the three and nine months ended September 30,

($000's, except per share amounts)

($000's)	Three months ended September 30, 2011	2010	% chg.	Nine months ended September 30, 2011	2010	% chg.
Drilling Services						
Revenue	62,675	25,985	141	126,174	62,021	103
EBITDA(1)	19,287	9,622	100	40,487	21,198	91
EBITDA %	30.8%	37.0%		32.1%	34.2%	
Capital Expenditures(3)	6,130	9,713		57,880	27,556	
Gross Capital Assets	143,238	73,112		143,238	73,112	
Total Assets	198,821	106,591	87	198,821	106,591	87
Annualized Return on Average Total Assets %(5)	46.0%	45.5%		38.2%	34.2%	
Production Services						
Revenue	15,446	15,630	(1)	49,308	46,662	6
EBITDA(1)	1,115	593	88	3,224	3,768	(14)
EBITDA %	7.2%	3.8%		6.5%	8.1%	
Capital Expenditures(3)	184	1,549		271	1,763	
Gross Capital Assets	14,867	16,438		14,867	16,438	
Total Assets	56,193	58,080		56,193	58,080	
Annualized Return on Average Total Assets %(5)	7.7%	3.8%		7.2%	8.0%	
Corporate EBITDA(1)	(1,802)	(1,624)		(5,347)	(4,524)	
Total EBITDA(1)	18,599	8,591		38,364	20,442	

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) 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".

(3) Includes assets acquired under finance lease. Segmented information does not include capital expenditures for the corporate segment of Strad as they are minimal. Capital expenditures are net of rental asset disposals.

(4) Excluding current portion; includes long term portion of finance lease obligations and convertible debentures less cash.

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

OVERVIEW OF THE COMPANY

Strad operates with two core segments; Drilling Services and Production Services. Drilling Services includes a comprehensive range of drilling-related products and services, including a wide range of environmental solutions. Production Services include mechanical services, production equipment packaging and electrical and instrumentation services. All divisional figures are reported based on these two segments.

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 September 30, 2011 the Company has 29 operating locations throughout North America.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Record third quarter EBITDA[(1)] of $18.6 million, a 116% increase compared with $8.6 million in the third quarter of 2010 and a 65% increase in EBITDA compared with the second quarter of 2011;

- Capital expenditures of $6.8 million, net of disposals, in the third quarter. By the end of September, $58.9 million of the $86.5 million approved capital program for 2011 had been spent;

- Continued deployment of assets to high growth resource areas in the United States. Record third quarter United States revenues of $29.6 million increased 132% compared with the third quarter of 2010. Total gross capital assets based in the United States now comprise 47% of total Drilling Services gross capital assets compared with 32% at the end of the third quarter of 2010;

- Ongoing success in the development of new products, including solids control, composite matting and satellite communications rental equipment with $11.3 million spent on new products in the first nine months of 2011; and

- Total funded debt to trailing EBITDA ratio of 0.7 at the end of the third quarter.

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 record revenue and EBITDA results for the nine months ended September 30, 2011, are due to the successful execution of Strad's 2010 and 2011 capital programs. In the second quarter, Strad increased its 2011 capital expenditure program to $86.5 million (from $66.5 million), of which 68% had been purchased as of September 30, 2011. Strad's scalable capital program is being driven by continued organic demand for the Company's rental products and services. Horizontal drilling and multi-stage fracing activity have increased in the industry. In addition, there is increasingly stringent regulation and scrutiny of environmental practices, especially around high-profile resource plays in the U.S. These trends have increased the amount of equipment required on sites, the technical nature of the equipment, and the planning time required prior to execution of drilling. Strad partners with customers at the planning phase to ensure all equipment, logistical and safety needs are being satisfied efficiently. The Company's growing United States business provides geographical diversification, exposure to a larger range of resource plays and helps stabilize seasonal impacts for its rental equipment operations.

RESULTS OF OPERATIONS

Consolidated Revenue

Consolidated revenue generated for the three and nine months ended September 30, 2011, increased 88% and 61%, respectively, to $78.1 million and $175.5 million compared with $41.6 million and $108.7 million for the same periods in 2010. Higher rental equipment utilization, additional capital expenditures and increased product sales contributed to the significant increase in revenue compared to 2010.

Drilling Services

Revenues generated from the Company's Drilling Services segment for the three and nine months ended September 30, 2011, increased 141% and 103%, respectively, to $62.7 million and $126.2 million versus $26.0 million and $62.0 million for the same periods in 2010. Included in revenue for the three and nine months ended September 30, 2011 are product sales of $17.0 million and $28.2 million compared with $0.5 million and $4.8 million for the same periods in 2010. The remaining increase is primarily due to additions to the rental asset fleet in both Canada and the United States. Revenue generated from the United States for the three and nine months ended September 30, 2011, increased to $29.6 million and $54.2 million, respectively, or 131% and 137%, from $12.8 million and $22.9 million in the same periods in 2010. Canadian Drilling Services revenue also improved; for the three and nine months ended

September 30, 2011, revenue of $33.1 million and $72.0 million increased 151% and 84%, respectively, compared with revenue of $13.2 million and $39.1 million for the same periods in 2010.

The Company's growing United States business provides geographical diversification, exposure to a larger range of resource plays and helps stabilize seasonal impacts for its rental equipment operations.

Production Services

Production Services revenue decreased 1% and improved 6% to $15.4 million and $49.3 million for the three and nine months ended September 30, 2011, respectively, compared with $15.6 million and $46.7 million for the same periods in 2010. Revenue for the year to date period increased as the number of field service technicians in the group grew 13% over September 30, 2010, but was negatively impacted by delays in servicing due to continuing weak industry conditions in the WCSB, which have not changed significantly over that of last year due to depressed natural gas prices.

Operating Expenses

Consolidated operating expenses increased 94% and 61% to $49.0 million and $109.9 million for the three and nine months ended September 30, 2011, respectively, from $25.2 million and $68.2 million for the same period in 2010. Operating expenses increased for the three and nine months ending September 30, 2011, consistent with increases in revenue for the same period.

Selling, General and Administrative

Selling, general and administrative (**"SG&A"**) expenses 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 34% and 36% for the three and nine months ended September 30, 2011 to $10.5 million and $27.3 million, respectively, from $7.8 million and $20.1 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 three and nine months ended September 30, 2011 SG&A expenses were 13% and 16% compared with 19% and 18% for the same periods in 2010.

Share-based payments were $0.2 million and $0.6 million for the three and nine months ended September 30, 2011 compared with $0.1 million and $0.4 million for the same period in 2010.

EBITDA

Consolidated EBITDA for the three and nine months ended September 30, 2011, of $18.6 million and $38.4 million improved 116% and 88%, respectively, compared with $8.6 million and $20.4 million for the same periods in 2010 for the reasons stated above. EBITDA for the quarter, excluding product sales noted above, was $16.9 million. EBITDA as a percentage of revenue for the three and nine months ended September 30, 2011, was 24% and 22% compared with 21% and 19% for the same periods in 2010.

Drilling Services EBITDA for the three and nine months ended September 30, 2011, of $19.3 million and $40.5 million improved 100% and 91%, respectively, compared with $9.6 million and $21.2 million for the same periods in 2010 for the reasons stated above. EBITDA as a percentage of revenue for the three and nine months ended September 30, 2011, was 31% and 32% compared with 37% and 34% for the same periods in 2010. EBITDA as a percentage of revenue for the three and nine months ended September 30, 2011, excluding EBITDA from product sales of $1.7 million and $3.3 million, was 38% compared with 37% and 36% excluding $0.1 million and $0.5 million of product sales EBITDA for the same period in 2010.

Production Services EBITDA for the three and nine months ended September 30, 2011, of $1.1 million and $3.2 million increased 88% and decreased 14%, respectively, compared with $0.6 million and $3.8 million for the same periods in 2010 for the reasons stated above. EBITDA as a percentage of revenue for the three and nine months ended September 30, 2011, was 7% compared with 4% and 8% for the same periods in 2010.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets was $6.2 million and $16.5 million for the three and nine months ended September 30, 2011, respectively, compared with $3.8 million and $10.7 million for the same period in 2010. Capital additions of $23.6 million throughout the second half of 2010 and $58.9 million for the first nine months in 2011 increased depreciation and amortization for the respective periods.

Interest

Interest totalled $0.5 million and $1.3 million for the three and nine months ended September 30, 2011, respectively, compared with $0.8 million and $1.8 million for the same periods in 2010. The decrease in interest expense was due to lower debt balances during the three and nine months ended September 30, 2011 compared to the same periods in 2010. As at September 30, 2011, total funded debt, less cash, outstanding was $34.5 million compared to $59.6 million as at September 30, 2010.

Gain/Loss on Foreign Exchange

Gain on foreign exchange for the three and nine months ended September 30, 2011, respectively, was $0.9 million and $0.3 million compared with a gain of $0.2 million and a loss of $0.1 million for the same periods 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 1% against the US dollar over the past year ($0.963 at September 30, 2011 compared to $0.971 at September 30, 2010).

Income Taxes

For the three and nine months ended September 30, 2011, the Company recorded income before income taxes and non-controlling interest of $12.8 million and $21.1 million. 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.

Non-Controlling Interest

For the three and nine months ended September 30, 2011, non-controlling interest of $0.5 million and $0.8 million was recorded compared to $0.4 and $0.6 million for the same periods 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.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results as of September 30, 2011 and for the years 2010 and 2009.

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Sept. 30, 2011	**Jun. 30, 2011**	**Mar. 31, 2011**	**Dec. 31, 2010**
Revenue	78,121	52,753	44,608	44,949
EBITDA[(1) (2)]	18,599	11,320	8,445	8,360
Net income [(2)]	7,436	3,557	1,587	2,579
Per share ($), basic	0.20	0.10	0.04	0.10
Per share ($), diluted	0.20	0.10	0.04	0.09

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Sept. 30, 2010	**Jun. 30, 2010**	**Mar. 31, 2010**	**Dec. 31, 2009**
Revenue	41,615	33,610	33,458	20,468
EBITDA[(1) (2)]	8,591	5,356	6,495	2,110
Net income (loss) [(2)]	2,323	852	1,558	(11,403)
Per share ($), basic	0.12	0.04	0.08	(0.57)
Per share ($), diluted	0.10	0.04	0.08	(0.57)

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. 2009 EBITDA and net income are presented in accordance with previous GAAP.

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 47% of total Drilling Services gross capital assets at September 30, 2011 compared to 32% as of September 30, 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 rental products demand 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 September 30, 2011, Strad's principal sources of liquidity include working capital of $39.3 million, an increase of $28.0 million compared with September 30, 2010, a syndicated banking facility of $100.0 million consisting of a $15.0 million operating facility of which $nil was drawn; and a revolving facility of $85.0 million of which $31.5 million was drawn as of September 30, 2011.

Working Capital

The net working capital position of Strad at September 30, 2011 was $39.3 million, an increase from the working capital position of September 30, 2010 by $28.0 million.

Current assets at September 30, 2011 were $82.5 million, an increase of $28.7 million from September 30, 2010. The increase is a result of an increase in accounts receivable of $20.9 million due to higher revenue in the year.

Current liabilities at September 30, 2011 were $43.2 million, an increase of $0.7 million from September 30, 2010. A bank indebtedness decrease of $15.2 million was offset by an increase in accounts payable of $16.7 million following increased industry activity and a larger capital expenditure program year over year. Deferred revenue decreased by $0.4 million due to the timing of sales transactions. Income taxes payable increased by $2.2 million and long-term debt decreased by $3.2 million. Current portion lease obligations increased by $0.6 million due to lease additions.

Indebtedness

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million and an $85.0 million revolving facility, both 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 nine months ended September 30, 2011 the overall effective rate on the syndicated banking facility was 4.33%. As of September 30, 2011, $nil was drawn on the operating facility and $31.5 million was drawn on the revolving facility.

As at September 30, 2011, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at September 30, 2011 were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**
Finance Leases	9,612	5,342	4,234	36
Operating leases	17,123	4,073	5,469	7,581
Total Commitments	26,735	9,415	9,703	7,617

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

OUTSTANDING COMPANY SHARE DATA

	As of October 31, 2011 *(unaudited)*
Common shares – voting	37,246,384
Options	2,280,500
Fully diluted Common Shares	39,526,884

OFF BALANCE SHEET ARRANGEMENTS

At September 30, 2011, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Certain key management personnel have loans totalling $1.1 million from the Company. Proceeds of the loans were used to purchase Common Shares in the Company. The loan balances are non-interest bearing for employees who are not officers of the Company and 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 third quarter, driven by activity in increasingly dynamic resource plays focused on oil and liquids rich natural gas. Demand for Strad's services continued to outstrip supply which translated into high utilization rates and strong pricing in key regional markets, trends that management expects to continue through the balance of the year and into 2012.

In the WCSB, drilling utilization of 56% for the third quarter of 2011 was up from 41% in the third quarter of last year; well permits for the third quarter of 2011 increased 15% over the third quarter of 2010; and meters drilled in the third quarter of 2011 increased 37% over that of the third quarter of 2010. Positive industry indicators were also present in the United States where land rig counts grew due to continued growth in the number of rigs currently targeting oil (53%). Horizontal drilling and multi-stage fracing are also being utilized more often to exploit both unconventional resource plays and mature conventional plays. So far this year, 57% of U.S. rig activity was focused on horizontal drilling techniques, compared with 52% in 2010. In Canada, 57% of total wells drilled in 2011 were horizontal, compared with 51% in 2010. Horizontal drilling techniques require a larger footprint and more advanced planning and equipment on the well site. Strad is successfully accessing the emerging market opportunity created by these large and complex initiatives by being one of the few companies able to deploy the volume of equipment and expertise required to support them. Management is increasingly focused on signing contracts associated with these projects, which drives utilization and provides more stable revenue. Management believes the focus on horizontal drilling techniques, as well as increasingly complex completions, are expected to drive growth through the winter drilling season.

On the back of these trends Strad generated record revenue and earnings in the third quarter. These results are a direct reflection of the successful implementation of the Company's strategy to grow its asset base and Strad's return on assets remains strong. On a year-to-date basis, the Company allocated approximately 60% of its total Drilling Services capital expenditures to the U.S. and total gross capital assets in the U.S. now comprise 47% of total Drilling Services gross capital assets. New product initiatives such as solids control, satellite communications equipment and composite mats made up $11.3 million of capital expenditures in the first nine months of 2011. The new products and services enhance the value the Company can offer to its customers and helps to further diversify the product suite. Driving further demand for these new products are the continuously evolving high standards of safety and environmental stewardship that continue to present significant concern for customers, particularly those in high profile, new resource plays. These higher standards, in combination with increasingly large and complex deployments, have created barriers to entry and a drive to use single source, full-service vendors like Strad. On that basis, the Company substantially increased its customer base in 2011 with the majority of customers ranked among the largest companies of their type in Canada and the U.S.

With increased recent volatility in commodity prices, brought on by European economic uncertainty and concerns for a potential downturn in the U.S., management expects Exploration and Production ("E&P") companies to exercise caution and to potentially moderate capital spending in 2012 versus 2011 levels. Formal approval of Strad's 2012 capital expenditure program will be confirmed in December. However, management expects that the program will approximate cash flow for the year.

Management believes it has the flexibility to rapidly scale its capital expenditure program in the coming quarters in concert with changes in broader macroeconomic conditions and spending by E&P customers. Flexibility is the result of Strad manufacturing in-house a substantial portion of the rental equipment in its 2011 capital expenditure program, and maintaining strong relationships with third-party equipment providers. This should allow the Company to take advantage of robust market conditions while they persist and mitigate the potential impact of any deterioration in economic conditions should industry dynamics change in 2012. Management intends to allocate additional capital in the coming months with a focus on continued development of new and technically advanced products. The Company typically averages a three month lag between the date of expenditures and the date that assets are deployed in the field and generating revenue, although the lag varies by product line. The lag is due to internal preparation necessary to ready the equipment for customer use.

Strad remains cognizant that a strong balance sheet is essential to remaining a successful company operating against a backdrop of fluctuating market conditions. The funds raised last November through the initial public offering, operational cash flow and the existing bank facilities, have provided for a strong balance sheet and the required funding for the 2011 capital program. 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 September 30, 2011, the funded debt to EBITDA ratio was 0.7.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at September 30, 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 credit 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 September 30, 2011 Interim Consolidated Financial Statements in accordance with IFRS 1, First-time Adoption of International Reporting Standards, and with IAS 34, Interim Financial Reporting, 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 3 to the Interim 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 September 30, 2010 and a reconciliation of comprehensive income and other comprehensive income for the three and nine months ended September 30, 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	**September 30, 2010** $
Deficit as reported under Canadian GAAP	(20,169)
IFRS adjustments increase (decrease)	
Share-based payments	(755)
Deferred tax	149
Foreign currency translation	(36)
Deficit as reported under IFRS	(20,811)

Equity	September 30, 2010 $
Equity as reported under Canadian GAAP	80,111
IFRS adjustments increase (decrease)	
Deferred tax	149
Foreign currency translation	(36)
Accumulated other comprehensive income	(466)
Non-controlling interest	(8)
Equity as reported under IFRS	79,750

Comprehensive income	Three months ended September 30, 2010 $	Nine months ended September 30, 2010 $
As reported under Canadian GAAP	2,354	4,877
Increase (decrease) in net income for:		
Share-based payments	(75)	(257)
Deferred tax	80	149
Foreign currency translation	(36)	(36)
Increase (decrease) in other comprehensive income for:		
Cumulative translation adjustment	(419)	(419)
As reported under IFRS	1,904	4,314

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. For additional information regarding Strad's IFRS accounting policies see the Company's interim financial statements for the period ended March 31, 2011.

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 $75 thousand and $257 thousand decrease to the Company's previous GAAP net income for the three and nine months ended September 30, 2010. Therefore, the total impact to deficit at September 30, 2010 was an increase of $755 thousand.

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 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 three and nine months ended September 30, 2010, the application of the IFRS adjustments discussed above resulted in a $80 thousand and $149 thousand decrease to the Company's deferred income tax expense and a corresponding increase to Strad'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.

Future accounting pronouncements

All accounting standards effective for periods beginning on or after January 1, 2011 have been adopted. As of January 1, 2013, Strad will be required to adopt the following standards and amendments as issued by the IASB, which should not have a material impact on the Company's Consolidated Financial Statements.

- 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 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 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 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 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.
- IAS 19 – Post Employment Benefits, which amends the recognition and measurement of defined benefit pension expense and expands disclosures for all employee benefit plans.

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. For additional information regarding Strad's critical accounting estimates, see the Company's interim financial statements for the period ended March 31, 2011.

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.

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 have to certify on a quarterly and annual basis, effective March 31, 2011, 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 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 nine months ended September 30, 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.

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 unaudited interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the related unaudited consolidated 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 plus interest, taxes, depreciation and amortization, non-controlling interest, loss on disposal of property, plant and equipment, accretion of convertible debentures, 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 Drilling Services, Production Services 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 first nine months is calculated as annualized year to date EBITDA divided by the average of total assets over Q4 2010, Q1 2011 and Q2 2011. Annualized return on average total assets for the three months ended September 30, 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.

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

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

	Three Months Ended September 30, 2011	**Three Months Ended September 30, 2010**	**Nine Months Ended September 30, 2011**	**Nine Months Ended September 30, 2010**
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
Net income	7,436	2,323	12,580	4,733
Add:				
Depreciation and amortization	6,173	3,775	16,460	10,667
Accretion of convertible debenture	-	22	-	22
(Gain)/loss on disposal of PP&E	63	-	(94)	(61)
Share-based payments	187	130	642	435
Non-controlling interest	497	445	830	639
Deferred income tax	2,454	2,916	5,670	2,325
Interest expense	514	760	1,258	1,781
Funds from operations	17,324	10,371	37,346	20,541
Add:				
(Gain)/loss on foreign exchange	(914)	(195)	(319)	119
Income tax expense	2,376	(1,455)	1,979	217
Subtotal	18,786	8,721	39,006	20,877
Deduct:				
Share-based payments	187	130	642	435
EBITDA	18,599	8,591	38,364	20,442

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

	Three months ended (unaudited)			
	Sept. 30, 2011	**Jun. 30, 2011**	**Mar. 31, 2011**	**Dec. 31, 2010 (1)**
Net income	7,436	3,557	1,587	2,579
Add:				
Depreciation and amortization	6,173	5,606	4,681	4,043
Accretion of convertible debenture	–	–	–	13
(Gain)/loss on disposal of PP&E	63	(145)	(12)	(68)
(Gain)/loss on foreign exchange	(914)	325	270	526
Non-controlling interest	497	(210)	543	76
Income tax expense/(recovery)	2,376	(417)	20	(522)
Deferred income tax expense	2,454	2,094	1,122	1,144
Interest expense	514	510	234	569
EBITDA	18,599	11,320	8,445	8,360

(1) 2010 amounts are presented in accordance with IFRS. 2009 amounts are presented in accordance with previous GAAP.

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

	Three months ended (unaudited)			
	Sept. 30, 2010 (1)	**Jun. 30, 2010 (1)**	**Mar. 31, 2010 (1)**	**Dec. 31, 2009**
Net income (loss)	2,323	852	1,558	(11,403)
Add:				
Depreciation and amortization	3,775	3,546	3,346	3,080
Accretion of convertible debenture	22	–	–	–
Impairment of goodwill	–	–	–	11,000
(Gain)/loss on disposal of PP&E	–	(27)	(34)	90
(Gain)/loss on foreign exchange	(195)	185	129	(245)
Non-controlling interest	445	(20)	214	–
Income tax expense/(recovery)	(1,455)	653	1,019	(15)
Deferred income tax expense/(recovery)	2,916	(393)	(198)	(821)
Interest expense	760	560	461	424
EBITDA	8,591	5,356	6,495	2,110

(1) 2010 amounts are presented in accordance with IFRS. 2009 amounts are presented in accordance with previous GAAP.