Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements

As at and for the three and six months ended June 30, 2016 and 2015

Strad Energy Services Ltd.
Interim Consolidated Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)	**As at June 30, 2016** **$**	**As at December 31, 2015** **$**
Assets		
Current assets		
Trade receivables	5,443	16,754
Inventories	4,671	5,193
Prepaids and deposits	1,120	1,484
Income taxes receivable	2,719	1,604
	13,953	25,035
Non-current assets		
Property, plant and equipment (note 4)	125,516	140,977
Intangible assets (note 5)	624	800
Long term assets (note 6)	2,006	2,184
Deferred income tax assets	158	210
Total assets	142,257	169,206
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	522	2,874
Accounts payable and accrued liabilities	6,616	8,881
Deferred revenue	—	94
Current portion of obligations under finance lease (note 8)	444	783
	7,582	12,632
Non-current liabilities		
Long-term debt (note 9)	9,000	15,500
Obligations under finance lease (note 8)	88	228
Deferred income tax liabilities	6,754	6,536
Total liabilities	23,424	34,896
Equity		
Share capital (note 10)	118,379	118,401
Contributed surplus (note 10)	12,131	12,012
Accumulated other comprehensive income	24,531	30,153
Deficit	(36,208)	(26,256)
Total equity	118,833	134,310
Total liabilities and equity	142,257	169,206

Commitments and contingencies (note 11)
Subsequent event (note 16)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Strad Energy Services Ltd.
Interim Consolidated Statement of Loss and Comprehensive Income (Loss)
For the three and six months ended June 30, 2016 and 2015
(Unaudited)

(in thousands of Canadian dollars, except per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Revenue	9,580	29,907	24,838	64,277
Expenses				
Operating expenses (note 15)	7,948	22,130	19,737	44,835
Depreciation	4,441	6,869	9,385	13,745
Amortization of intangible assets	51	129	232	276
Amortization of long term assets	24	22	48	44
Selling, general and administration (note 15)	3,537	3,844	6,567	8,363
Share-based payments	78	79	119	168
Gain on disposal of property, plant and equipment	(268)	(80)	(461)	(125)
Foreign exchange loss (gain)	3	(81)	(434)	(216)
Finance fees	47	50	94	97
Interest expense	157	391	401	887
Loss before income tax	(6,438)	(3,446)	(10,850)	(3,797)
Income tax recovery	520	(1,559)	(898)	(2,114)
Loss for the period	(6,958)	(1,887)	(9,952)	(1,683)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net loss				
Cumulative translation adjustment	168	(1,826)	(5,622)	7,130
Total comprehensive income (loss) for the period	(6,790)	(3,713)	(15,574)	5,447
Loss per share:				
Basic	($0.19)	($0.05)	($0.27)	($0.05)
Diluted	($0.19)	($0.05)	($0.27)	($0.05)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Strad Energy Services Ltd.
Interim Consolidated Statement of Changes in Equity
For the six months ended June 30, 2016 and 2015
(Unaudited)

(in thousands of Canadian dollars)

	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (deficit) $	Total equity $
Balance - January 1, 2016	118,401	12,012	30,153	(26,256)	134,310
Net loss for the period	—	—	—	(9,952)	(9,952)
Cumulative translation adjustment	—	—	(5,622)	—	(5,622)
Shareholder loans (net) (note 10)	(22)	—	—	—	(22)
Employee share options:					
Value of services recognized	—	119	—	—	119
Balance - June 30, 2016	118,379	12,131	24,531	(36,208)	118,833
Balance - January 1, 2015	118,351	11,757	12,950	11,932	154,990
Net loss for the period	—	—	—	(1,683)	(1,683)
Cumulative translation adjustment	—	—	7,130	—	7,130
Exercise of options	4	(4)	—	—	—
Shareholder loans (net) (note 10)	6	—	—	—	6
Dividends declared	—	—	—	(5,218)	(5,218)
Employee share options:					
Value of services recognized	—	168	—	—	168
Balance - June 30, 2015	118,361	11,921	20,080	5,031	155,393

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Strad Energy Services Ltd.
Interim Consolidated Statement of Cash Flow
For the six months ended June 30, 2016 and 2015
(Unaudited)

(in thousands of Canadian dollars)		Six months ended June 30,
	2016	**2015**
Cash flow provided by (used in)	**$**	**$**
Operating activities		
Loss for the period	(9,952)	(1,683)
Adjustments for items not affecting cash:		
Depreciation and amortization	9,665	14,065
Deferred income tax recovery	238	(1,990)
Share-based payments	119	168
Interest expense and finance fees	495	984
Unrealized foreign exchange gains	(437)	40
Gain on disposal of property, plant and equipment	(461)	(125)
Changes in items of non-cash working capital (note 12)	8,705	11,720
Net cash generated from operating activities	8,372	23,179
Investing activities		
Purchase of property, plant and equipment	(591)	(7,435)
Proceeds from sale of property, plant and equipment	2,590	2,267
Purchase of intangible assets	(65)	(74)
Changes in items of non-cash working capital (note 12)	8	(2,541)
Net cash generated from (used in) investing activities	1,942	(7,783)
Financing activities		
Proceeds on issuance of long-term debt	3,000	—
Repayment of long-term debt	(9,500)	(13,500)
Repayment of finance lease obligations (net)	(273)	(597)
Issuance of shareholder loan (net of repayments)	(22)	6
Interest expense and finance fees	(495)	(984)
Payment of dividends	—	(5,218)
Changes in items of non-cash working capital (note 12)	10	3
Net cash used in financing activities	(7,280)	(20,290)
Effect of exchange rate changes on cash and cash equivalents	(682)	1,407
Increase (decrease) in cash and cash equivalents	2,352	(3,487)
Cash and cash equivalents – beginning of year	(2,874)	(826)
Cash and cash equivalents – end of period	(522)	(4,313)
Cash paid for income tax	—	1,882
Cash paid for interest	412	648

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

(in thousands of Canadian dollars)

1 General information

Strad is a North American energy services company that provides rental equipment and matting solutions to the oil and gas and energy infrastructure sectors. Strad focuses on providing complete customer solutions in Canada and the United States.

The Company is a publicly listed company incorporated and domiciled in Canada under the legislation of the Province of Alberta. The condensed interim consolidated financial statements of the Company for the period ended June 30, 2016 and 2015, comprise the Company and its subsidiaries.

The head office, principal address and records office of the Company are located at 440 2nd Avenue SW, Suite 1200, Calgary, Alberta, Canada, T2P 5E9.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors (“the Board”) on August 9, 2016.

2 Basis of preparation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34, *"Interim Financial Reporting",* and have been prepared following the same accounting policies and methods of computation as the annual consolidated financial statements for the year ended December 31, 2015.

The policies applied in these condensed interim consolidated financial statements are based on applicable IFRS issued, effective and outstanding as of August 9, 2016, the date the Board approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending December 31, 2015, could result in restatement of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s IFRS annual consolidated financial statements at December 31, 2015.

3 Future accounting policy and disclosures

On January 13, 2016, the IASB issued IFRS 16, “*Leases*” (“IFRS 16”), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 “*Revenue From Contracts With Customers*” has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

A description of other standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the annual consolidated financial statements for the year ended December 31, 2015.

(in thousands of Canadian dollars)

4 Property, plant and equipment

Cost

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other [(1)]	Total
As at December 31, 2015	$ 251,296	$ 10,476	$ 5,484	$ 2,866	$ 2,112	$ 272,234
Capital expenditures	435	112	2	40	2	591
Divestitures and transfers	(3,687)	(3,008)	(1,191)	—	—	(7,886)
Foreign currency translation	(8,803)	(187)	(105)	(71)	(30)	(9,196)
As at June 30, 2016	239,241	7,393	4,190	2,835	2,084	255,743

Accumulated depreciation and impairment

	Rental equipment	Automotive equipment	Tools & equipment	Office furniture & fixtures	Other [(1)]	Total
As at December 31, 2015	$ 115,035	$ 7,507	$ 4,433	$ 2,212	$ 2,070	$ 131,257
Depreciation	8,336	621	226	174	28	9,385
Divestitures and transfers	(2,376)	(2,238)	(1,159)	—	—	(5,773)
Foreign currency translation	(4,374)	(94)	(86)	(59)	(29)	(4,642)
As at June 30, 2016	116,621	5,796	3,414	2,327	2,069	130,227

Net book value

As at December 31, 2015	136,261	2,969	1,051	654	42	140,977
As at June 30, 2016	122,620	1,597	776	508	15	125,516

[(1)] Other includes land, buildings and computer hardware

Included in Rental equipment and Automotive equipment are assets under financial lease with a net carrying amount of $602 thousand (December 31, 2015 - $212 thousand) and $647 thousand (December 31, 2015 - $1.6 million) respectively.

5 Intangible assets

Cost

	Patent and technology asset	Computer software	Total
As at December 31, 2015	$ 3,293	$ 2,163	5,456
Capital expenditures	—	65	65
Foreign currency translation	(26)	(39)	(65)
As at June 30, 2016	3,267	2,189	5,456

Accumulated Amortization

	Patent and technology asset	Computer software	Total
As at December 31, 2015	$ 2,624	$ 2,032	$ 4,656
Amortization	93	139	$ 232
Foreign currency translation	(23)	(33)	$ (56)
As at June 30, 2016	2,694	2,138	$ 4,832

Net Book Value

As at December 31, 2015	$ 669	$ 131	$ 800
As at June 30, 2016	573	51	624

(in thousands of Canadian dollars)

6 Long-term assets

Cost		
As at December 31, 2015	$	2,285
Foreign currency translation		(139)
As at June 30, 2016		2,146

Accumulated Amortization		
As at December 31, 2015	$	101
Amortization		48
Foreign currency translation		(9)
As at June 30, 2016		140

Net book value		
As at December 31, 2015	$	2,184
As at June 30, 2016		2,006

Long-term assets consist of land and building that are included in the U.S. Operations segment (see note 13).

7 Bank indebtedness

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $10.0 million CAD, $7.0 million USD and a $53.0 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. As at June 30, 2016, the Company had access to the maximum credit facilities. The syndicated banking facility bears interest at a variable rate, which is dependent on the Company's funded debt to earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio.

Based on the Company's current funded debt to EBITDA ratio at June 30, 2016, the interest rate on the syndicated credit 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. The syndicated credit facility matures on September 29, 2018. For the six months ended June 30, 2016, the overall effective rate on the operating facility was 4.40% (six months ended June 30, 2015 - 4.18%). At June 30, 2016, $0.5 million (December 31, 2015 - $2.9 million) was drawn on the operating facility. All bank covenants are in compliance as at June 30, 2016.

8 Obligations under finance lease

		As at June 30, 2016		**As at December 31, 2015**
Equipment under finance lease	$	532	$	1,011
Current portion		444		783
Long-term portion		88		228

The finance leases bear interest ranging from 0% to 7% at June 30, 2016.

(in thousands of Canadian dollars)

9 Long-term debt

		As at June 30, 2016		As at December 31, 2015
Revolving facility	$	9,000	$	15,500
Current portion		—		—
Long-term portion		9,000		15,500

As at June 30, 2016, the Company had access to $53.0 million of its revolving facility (see note 8) of which $9.0 million was drawn (December 31, 2015 - $15.5 million). Required monthly payments are interest only with the principal due September 29, 2018. The overall effective rate on the revolving facility at June 30, 2016, was 2.82% (December 31, 2015 – 3.78%).

10 Share capital

a) Authorized

An unlimited number of Classes A, B, C, D, E and F shares without nominal or par value.
As at June 30, 2016, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	Six months ended June 30, 2016		Year-ended December 31, 2015	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of year	37,280,397	118,401	37,279,200	118,351
Shareholder loan - repayment	—	65	—	95
Shareholder loan - issuance	—	(87)	—	(50)
Interest on shareholder loans	—	—	—	2
Exercise of options	—	—	1,197	3
Total common shares, end of period	37,280,397	118,379	37,280,397	118,401

Share-based payments

Options to purchase common shares may be granted by the Board of Directors to directors, officers and employees of the Company. The Company has two option plans. In November 2010, the Board of Directors approved a new stock option plan with options with a term of five years and each stock option provides the employee with the right to purchase one common share. Options vest one-third on each of the first, second and third anniversary dates of the grant date.

Options granted under the previous plan have a term of six years and either vest one-third on each of the second, third and fourth anniversary dates of the grant date or one-half on each of the first and second anniversary dates of the grant date. As at June 30, 2016, options can be exercised for shares or net shares.

(in thousands of Canadian dollars)

	As at June 30, 2016		As at December 31, 2015	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of year	2,378,497	$3.62	2,239,174	$3.79
Granted	516,500	$1.69	541,500	$2.83
Exercised	—	—	(8,000)	$2.50
Naturally expired - vested	(463,000)	$3.31	(5,000)	$4.00
Expired - vested	(349,152)	$3.81	(143,652)	$3.89
Forfeited - unvested	(38,674)	$2.91	(245,525)	$3.25
Balance, end of period	2,044,171	$3.18	2,378,497	$3.62

The Company recognized compensation expense of $119 thousand during the six months ended June 30, 2016 (2015 - $168 thousand). During the six months ended June 30, 2016, the fair value of options granted were calculated based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate - 0.53%, expected volatility - 43%, a forfeiture rate of 21%, no expected quarterly dividend per share and an expected life of 5 years.

c) Contributed surplus

	Six months ended June 30, 2016	Year-ended December 31, 2015
Balance, beginning of year	$ 12,012	$ 11,757
Share-based payments expense	119	258
Exercise of options	—	(3)
Balance, end of period	12,131	12,012

d) Per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Basic weighted average shares outstanding	36,945,501	36,915,561	36,944,657	36,913,520
Dilutive effect of stock options	—	62,663	—	55,817
Dilutive effect of shareholder loans	—	364,547	—	366,198
Diluted weighted average shares outstanding	36,945,501	37,342,771	36,944,657	37,335,535

(in thousands of Canadian dollars)

11 Commitments and contingencies

The Company has operating lease commitments for equipment and buildings for the next five years as follows:

	As at June 30, 2016
2016	$ 2,155
2017	3,470
2018	2,588
2019	2,185
2020	1,965
2021 and thereafter	3,338
	$ 15,701

The Company is involved in a limited number of legal claims associated with the normal course of operations. The Company believes it has made adequate provisions for such legal claims. There are no individually or collectively significant claims.

12 Changes in non-cash working capital

	For the six months ended June 30, 2016	June 30, 2015
Trade receivables	$ 11,311	$ 24,155
Inventories	522	1,115
Prepaids and deposits	364	(94)
Income taxes receivable	(1,115)	(582)
Accounts payable and accrued liabilities	(2,265)	(13,606)
Deferred revenue	(94)	(227)
Income taxes payable	—	(1,579)
Changes in items of non-cash working capital	8,723	9,182
Changes in items of non-cash working capital - investing	8	(2,541)
Changes in items of non-cash working capital - financing	10	3
Changes in items of non-cash working capital - operating	8,705	11,720
Changes in items of non-cash working capital	8,723	9,182

13 Segment information

The Executive Management Team is the Company's chief operating decision-maker. Management has determined the operating segments to be Canadian Operations, U.S. Operations and Product Sales based on the information reviewed by the Executive Management Team for the purposes of allocating resources and assessing performance.

The Executive Management Team views the business as two separate sources of revenue. The primary source of revenue is generated from the Company's core business of providing well-site infrastructure solutions, which include Surface Equipment, Environmental & Access Matting, Solids Control and Waste Management, Drill Pipe, EcoPond® (frac-water storage) and Matting Manufacturing to exploration and production companies in the oil and natural gas industry. Surface Equipment offerings provide support to drilling and completions projects for the oil and natural gas industry from start to finish. Environmental & Access Matting is used for a variety of applications from roads to rig site platforms and is proven to increase access to remote locations, protect sensitive terrain from damage and reduce reclamation costs. Solids

(in thousands of Canadian dollars)

Control and Waste Management is a closed-loop, zero discharge solids control and waste management system solution that is designed to maximize separation efficiency, lower drilling costs, reduce dilution volumes, and meet stricter environmental practices and standards. Drill Pipe is a comprehensive range of drilling-related subsurface equipment for purchase, lease or rent including drill pipe, heavy weight drill pipe, drill collars, and other handling equipment. EcoPond® is a frac-water storage solution that is designed to work safely, reduce environmental impact and lower completion costs. The Company's core business is split geographically between Canada and the U.S. The Company's second source of revenue, Product Sales, is derived from manufactured Product Sales to external customers, third party equipment sales to existing customers plus sales of equipment from the Company's existing fleet to customers.

Corporate consists of costs incurred to operate a public company, including a portion of the Executive Management Team, corporate accounting, rent and utilities and external professional services.

A portion of corporate costs directly related to the Company's core business are allocated to Canadian Operations, U.S. Operations and Product Sales.

Three months ended June 30, 2016	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 4,833	$ 2,515	$ 2,232	$ —	$ 9,580
Operating expenses	4,018	2,314	1,616	—	7,948
Selling, general and administrative	1,269	1,420	21	827	3,537
Depreciation and amortization	1,880	2,492	68	76	4,516
Net interest expense	6	(37)	—	188	157
Finance fees	—	—	—	47	47
Earnings (loss) before income tax	(1,316)	(6,022)	(283)	1,183	(6,438)
Income tax (recovery) expense	(623)	1,147	(31)	27	520
Capital expenditures [(1)]	27	143	—	65	235
Total assets	68,514	72,825	52	866	142,257

[(1)] Capital expenditures do not include purchases of intangible assets.

Three months ended June 30, 2015	**Canadian Operations**	**U.S. Operations**	**Product Sales**	**Corporate**	**Total**
Revenue	$ 15,080	$ 9,406	$ 5,421	$ —	$ 29,907
Operating expenses	10,002	7,014	5,112	—	22,128
Selling, general and administrative	1,645	1,531	40	628	3,844
Depreciation and amortization	2,277	4,533	114	96	7,020
Net interest expense	68	9	15	299	391
Finance fees	—	—	—	50	50
Earnings (loss) before income tax	1,221	(2,412)	70	(2,325)	(3,446)
Income tax (recovery) expense	741	(2,360)	59	1	(1,559)
Capital expenditures [(1)]	131	351	—	(6)	476
Total assets	103,680	105,137	545	1,339	210,701

[(1)] Capital expenditures do not include purchases of intangible assets.

(in thousands of Canadian dollars)

Six months ended June 30, 2016	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 13,408	$ 7,301	$ 4,129	$ —	$ 24,838
Operating expenses	9,832	6,444	3,461	—	19,737
Selling, general and administrative	2,326	2,508	22	1,711	6,567
Depreciation and amortization	3,969	5,404	141	151	9,665
Net interest expense	20	—	2	379	401
Finance fees	—	—	—	94	94
Loss before income tax	(1,087)	(9,063)	(652)	(48)	(10,850)
Income tax (recovery) expense	(834)	16	(106)	26	(898)
Capital expenditures (1)	110	439	—	107	656
Total assets	68,514	72,825	52	866	142,257

(1) Capital expenditures do not include purchases of intangible assets.

Six months ended June 30, 2015	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	$ 32,978	$ 23,493	$ 7,806	$ —	$ 64,277
Operating expenses	22,151	15,063	7,615	—	44,829
Selling, general and administrative	3,688	3,407	84	1,184	8,363
Depreciation and amortization	4,520	9,125	225	195	14,065
Net interest expense	90	95	22	680	887
Finance fees	—	—	—	97	97
Earnings (loss) before income tax	2,061	(4,030)	79	(1,907)	(3,797)
Income tax (recovery) expense	770	(2,974)	34	56	(2,114)
Capital expenditures [1]	5,383	1,980	—	72	7,435
Goodwill	7,675	9,602	—	—	17,277
Total assets	103,680	105,137	545	1,339	210,701

Revenue by geography	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Canada	$ 7,065	$ 20,480	$ 17,537	$ 40,339
U.S.	2,515	9,427	7,301	23,938
Total	9,580	29,907	24,838	64,277

Revenue is allocated to each geographic location based on the country in which the revenue is generated.

(in thousands of Canadian dollars)

	As at June 30, 2016			As at June 30, 2015		
	Capital assets and intangible assets	**Other assets**	**Total assets**	**Capital assets, intangible assets & goodwill**	**Other assets**	**Total assets**
Canada	$ 58,138	$ 11,294	$ 69,432	$ 82,535	$ 23,029	$ 105,564
U.S.	68,002	4,823	72,825	92,913	12,224	105,137
Total	126,140	16,117	142,257	175,448	35,253	210,701

During the six months ended June 30, 2016, the Product Sales segment had intercompany sales of $nil (2015 - $0.4 million) to the Canadian Operations segment and $nil (2015 - $nil) to the U.S. Operations segment, not included in the revenue figures above. Intercompany sales consist of in-house manufactured capital assets and inventory which are sold to the Canadian Operations and U.S. Operations segments. These transactions are eliminated upon consolidation.

14 Related party transactions

Loans to key management

The share purchase loans outstanding with key management are shown below:

	For the period ended	
	June 30, 2016	**December 31, 2015**
Opening balance	$ 993	$ 1,050
Share purchase loans issued	87	—
Repayment of share purchase loan	(54)	(53)
Interest charged	—	3
Interest paid	—	(7)
	1,026	993

Certain key management personnel and directors have loans outstanding totaling $1.0 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 the loan balances are outstanding. After three years, the notes bear interest at the prime lending rate per annum established by the Company's bank, plus 1% interest. The loans are required to be repaid in full on the maturity date, being 10 years from the date of issuance.

For the period ended June 30, 2016, there were $87 thousand of loan advances made to key management (year-ended December 31, 2015 - $nil) and loan principal repayments of $54 thousand were received (year-ended December 31, 2015 - $53 thousand).

For the period ended June 30, 2016, no interest was charged by the Company on loans to key management (year-ended December 31, 2015 - $3 thousand) and no interest repayments were received (year-ended December 31, 2015 – $7 thousand).

(in thousands of Canadian dollars)

15 Expenses by Nature

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Operating Expenses				
Direct expenses:				
Rental expenses	$ 1,314	$ 1,879	$ 3,866	$ 4,260
Service and trucking	2,294	9,464	5,957	20,728
Cost of sales and consumables	1,450	5,737	3,324	8,799
Total direct expenses	5,058	17,080	13,147	33,787
Indirect expenses:				
Personnel costs	1,045	2,922	2,461	6,643
Occupancy and other	1,845	2,128	4,129	4,405
Total indirect expenses	2,890	5,050	6,590	11,048
Total Operating Expenses	7,948	22,130	19,737	44,835

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Selling, general and administrative expenses				
Personnel costs	$ 1,646	$ 2,983	$ 3,171	$ 6,399
Occupancy and other	1,891	861	3,396	1,964
Total selling, general and administrative expenses	3,537	3,844	6,567	8,363

16 Subsequent event

On July 13, 2016, the Company announced an acquisition, via share purchase agreements with Redneck Oilfield Services Ltd. and Raptor Oilfield Services Ltd. (collectively "Redneck") providing for the combination of Strad and Redneck (the "Transaction"), expected to close August 31, 2016. Under the Transaction, Strad will acquire all of the shares of Redneck in exchange for an aggregate of 11,098,598 class A shares of Strad ("Strad Shares") plus the assumption of an estimated $11.7 million of net debt at closing. The Strad Shares to be issued to Redneck shareholders pursuant to the Transaction will be subject to a time release escrow agreement and will be released in tranches over a course of a 3 year period following completion of the Transaction.