MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of August 9, 2016, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company")**. This MD&A discusses the operating and financial results for the three and six months ended June 30, 2016, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of Strad for the three and six months ended June 30, 2016, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2015. Strad's financial statements 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". All amounts are stated in Canadian Dollars unless otherwise noted.

Additional information relating to Strad for the three months ended June 30, 2016, may be found under the Company's profile on the System for Electronic Document Analysis and Retrieval **("SEDAR")** at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Adjusted EBITDA(1) of $(2.0) million compared to $3.9 million for the same period in 2015. Adjusted EBITDA excluding restructuring, severance and acquisition related transaction costs would otherwise be $(1.5) million;
- Loss per share was $(0.19) compared to $(0.05) for the same period in 2015. Loss per share excluding restructuring, severance and acquisition related costs would otherwise be $(0.18);
- Revenue of $9.6 million decreased 68% compared to $29.9 million for the same period in 2015;
- Reduced total funded debt(2) by $4.7 million to $10.2 million;
- Total funded debt(2) to EBITDA(3) ratio was 1.3 to 1.0 at the end of the second quarter of 2016;
- Capital additions totaled $0.2 million during the second quarter of 2016; and
- As previously announced on July 13, 2016, the Company entered into definitive agreements to acquire Redneck Oilfield Services Ltd. and Raptor Oilfield Services Ltd. (collectively "Redneck"). The completion of this acquisition is expected to create a stronger, more diverse rental platform to better service customers focused in the Montney and Duvernay plays of North East British Columbia and North West Alberta (the "Deep Basin"). The combined company will operate one of the newest, largest and most diverse fleets of rental equipment in the Deep Basin from key locations in Fort St.John, Dawson Creek and Grande Prairie.This acquisition is expected to close on August 31, 2016.

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".
(2) Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
(3) EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional one time charges.

SECOND QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2016	2015	% Chg.	2016	2015	% Chg.
Revenue	9,580	29,907	(68)	24,838	64,277	(61)
Adjusted EBITDA[(1)]	(1,983)	3,854	(151)	(1,585)	10,911	(115)
Adjusted EBITDA as a % of revenue	(21)%	13%		(6)%	17%	
Per share ($), basic	(0.05)	0.10	(150)	(0.04)	0.30	(113)
Per share ($), diluted	(0.05)	0.10	(150)	(0.04)	0.29	(114)
Net loss	(6,958)	(1,887)	269	(9,952)	(1,683)	491
Per share ($), basic	(0.19)	(0.05)		(0.27)	(0.05)	
Per share ($), diluted	(0.19)	(0.05)		(0.27)	(0.05)	
Funds from operations[(2)]	(990)	4,032	(125)	104	11,419	(99)
Per share ($), basic	(0.03)	0.11	(127)	—	0.31	(100)
Per share ($), diluted	(0.03)	0.11	(127)	—	0.31	(100)
Capital expenditures[(3)]	235	476	(51)	656	7,509	(91)
Total assets	142,257	210,701	(32)	142,257	210,701	(32)
Long-term debt	9,000	22,500	(60)	9,000	22,500	(60)
Total long-term liabilities	15,842	35,815	(56)	15,842	35,815	(56)
Common shares - end of period ('000's)	37,280	37,280		37,280	37,280	
Weighted avg common shares ('000's)						
Basic	36,946	36,916		36,945	36,914	
Diluted	36,946	37,343		36,945	37,336	

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

(2) Funds from operations is cash flow from operating activities before changes in non-cash working capital. Funds from operations is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

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

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of solutions, including Surface Equipment, Environmental and Access Matting, Solids Control and Waste Management, EcoPond® (frac-water storage), Drill Pipe and Matting Manufacturing. 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 as well as exposure to energy infrastructure projects including oilsands pipelines and power transmission. 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 selected areas within the western United States Rockies. As of June 30, 2016, the Company has 26 operating locations throughout North America.

SECOND QUARTER RESULTS

Strad reported a decrease in revenue of 68% and a decrease in adjusted EBITDA of 151% during the three months ended June 30, 2016, compared to the same period in 2015. Decreased revenue during the second quarter was a result of reduced equipment utilization and pricing in both Canada and the U.S. and lower Product Sales due to a significant decline in rig activity levels year-over-year. Adjusted EBITDA margin percentage in the second quarter of 2016 decreased to (21)% compared to 13% in the prior year, due to the decrease in overall revenue during the quarter.

Strad's Canadian Operations reported a decrease in revenue of 68% and adjusted EBITDA of 114% during the three months ended June 30, 2016, compared to the same period in 2015. Decreased revenue was a result of lower pricing and utilization of the surface equipment and matting fleets as a result of a 51% decline in the average drilling rig count to 47 rigs during Q2 2016 compared to 96 for the same period in 2015.

Rig counts in Strad's targeted U.S. resource plays were also significantly lower year-over-year during the second quarter of 2016 compared to the same period in 2015. Rig counts in the Bakken, Rockies and Marcellus regions decreased by 69%, 61%, and 59%, respectively, year-over-year. The rig count declines resulted in a 73% decrease in revenue during the second quarter of 2016 compared to 2015. As a result of lower revenue, adjusted EBITDA decreased 243% and adjusted EBITDA as a percentage of revenue decreased to (49)% during the second quarter of 2016 compared to 9% in the second quarter of 2015.

During the second quarter of 2016, capital expenditures were $0.1 million in Canada and $0.1 million in the U.S. Strad's 2016 capital budget of $7.3 million includes $4.5 million of maintenance capital expenditures and will be evaluated during the year based on affordability and activity levels.

OUTLOOK

Low commodity prices continued to produce a marked decline in industry drilling rig activity across all basins in North America. During the second quarter, drilling rig activity reached the lowest levels in decades. Year-over-year rig count declines continue to increase each quarter. Declines in activity have extended to all operating regions impacting both oil and natural gas producing regions, which resulted in continued pricing pressures across all regions in the second quarter of 2016 as producers seek to reduce drilling costs.

In the WCSB, active drilling rigs in the second quarter of 2016 were down approximately 51% over the prior year, averaging 47 compared to 96 for the same period in 2015. In the U.S., drilling rig activity continued to vary by region, with the total active U.S. rig count decreasing by 54% on a year-over-year basis and 26% sequentially. The majority of Strad's U.S. fleet continues to operate in the Bakken, Rockies and Marcellus regions. The Rockies region, consisting of Colorado, Wyoming, and Utah had an average of 27 rigs drilling during the second quarter, representing a decline of 42% from rigs in the previous period. The active rig count in the Bakken averaged 25 rigs in the second quarter of 2016, down 55% from 80 in the prior year. In the gas-weighted Marcellus and Utica plays, the active rig count averaged 37 during the second quarter of 2016, 54% lower than 91 during the prior year period.

A continued focus, initiated in 2014, has been Management's expansion of the Company's service offerings to the energy infrastructure market, including pipeline construction, power transmission construction and energy facilities construction. This has diversified the business into markets that are expected to be less commodity price sensitive in the near term. Matting demand has been reasonably strong in Canada as several infrastructure related projects continue to progress despite the weak commodity price environment.

Overall, Strad's diversification across geographies in Canada and the U.S., exposure to both crude oil and natural gas activity, product line diversification, blue chip and well capitalized customer base, and exposure to energy infrastructure projects collectively, is expected to serve to insulate the business to some degree from the decline in drilling activity levels.

Management continued to actively manage costs and cash flow during the second quarter in response to lower activity levels. Additional headcount reductions, consisting of both direct and SG&A, were made during the second quarter bringing total headcount reductions to 263 or 75% since the end of 2014. Early in the third quarter, management has added some additional direct employees in response to moderately increased activity levels.

Energy infrastructure related activity is expected to increase during the second half of 2016 as numerous projects begin in the summer months. The majority of Strad's energy infrastructure related work continues to be wood access matting related and focused in Western Canada. Management is continuing to focus on the energy infrastructure market in the U.S.

Management's strategy continues to reflect a prudent and measured approach with a focus on cash preservation, debt paydown and maintaining flexibility to be able to respond to opportunities that are presented when the market does recover. The maintenance capex requirement in 2016 continues to be modest and is anticipated to be managed at or below $5 million per year in this environment.

During the second quarter, outstanding debt was reduced by an additional $4.7 million, bringing total debt reduction to $29.3 million since March 31, 2015. Total funded debt was $10.2 million at June 30, 2016, and the total funded debt to adjusted EBITDA ratio was 1.3 to 1.0.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	2016	2015	% chg.	2016	2015	% chg.
Revenue	4,833	15,080	(68)	13,408	32,978	(59)
Operating expenses	4,018	10,002	(60)	9,832	22,151	(56)
Selling, general and administration	1,269	1,645	(23)	2,326	3,688	(37)
Share based payments	25	30	(17)	44	55	(20)
Net income (loss)	(693)	480	(244)	(253)	1,291	(120)
Adjusted EBITDA(1)	(479)	3,403	(114)	1,206	7,084	(83)
Adjusted EBITDA as a % of revenue	(10)%	23%		9%	21%	
Capital expenditures(2)	27	131	(79)	110	5,383	(98)
Gross capital assets	112,048	120,732	(7)	112,048	120,732	(7)
Total assets	68,514	103,680	(34)	68,514	103,680	(34)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".

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

Revenue for the three months ended June 30, 2016, of $4.8 million decreased 68% compared to $15.1 million for the same period in 2015. Decreased revenue during the quarter was primarily a result of lower rental revenue from the surface equipment and matting fleets. In addition to price declines, utilization levels for surface equipment declined by 30% during the second quarter of 2016, compared to the same period in 2015, due to a 51% decline in average rig count in the WCSB over the same time period. Low commodity prices continued to cause the decline in rig count during the second quarter of 2016 as Strad's customers reduced capital spending.

During the second quarter, revenue from Strad's matting rental fleet decreased due to lower pricing and utilization. Strad's Canadian matting fleet decreased to approximately 45,800 pieces as at June 30, 2016, compared to approximately 55,500 pieces as at June 30, 2015. Utilization decreased 61% during the second quarter of 2016, compared to the second quarter of 2015, due to the rig count decline in the WCSB and delays in energy infrastructure projects.

Adjusted EBITDA for the three months ended June 30, 2016, of $(0.5) million, decreased 114% compared to $3.4 million for the same period in 2015. Adjusted EBITDA as a percentage of revenue, for the three months ended June 30, 2016, decreased to (10)% compared to 23% for the same period in 2015.

Revenue for the six months ended June 30, 2016, of $13.4 million, decreased 59% compared to $33.0 million for the same period in 2015. Decreased drilling activity was the primary driver of lower revenue year-over-year.

Adjusted EBITDA for the six months ended June 30, 2016, of $1.2 million, decreased 83% compared to $7.1 million for the same period in 2015. Adjusted EBITDA as a percentage of revenue, for the six months ended June 30, 2016, was 9% compared to 21% for the same period in 2015.

Operating expenses for the three and six months ended June 30, 2016, of $4.0 million and $9.8 million decreased 60% and 56% respectively compared to $10.0 million and $22.2 million for the same period in 2015. The decline in operating expenses during the first six months of 2016 is a result of lower activity levels.

SG&A for the three and six months ended June 30, 2016, of $1.3 million and $2.3 million decreased 24% and 38% respectively compared to $1.7 million and $3.7 million for the same period in 2015. SG&A costs decreased due to cost reductions implemented by management including staff reductions, wage roll backs and reductions in discretionary spending.

U.S. Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2016**	**2015**	**% chg.**	**2016**	**2015**	**% chg.**
Revenue	2,515	9,406	(73)	7,301	23,493	(69)
Operating expenses	2,314	7,014	(67)	6,444	15,063	(57)
Selling, general and administration	1,420	1,531	(7)	2,508	3,407	(26)
Share based payments	13	—	100	17	8	113
Net (loss)	(7,169)	(52)		(9,079)	(1,056)	
Adjusted EBITDA(1)	(1,232)	861	(243)	(1,668)	5,015	(133)
Adjusted EBITDA as a % of revenue	(49)%	9%		(23)%	21%	
Capital expenditures(2)	143	351	(59)	439	1,980	(78)
Gross capital assets	141,966	137,848	3	141,966	137,848	3
Total assets	72,825	105,137	(31)	72,825	105,137	(31)

Notes:

(1) *Earnings (loss) before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*

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

Revenue for the three months ended June 30, 2016, decreased 73% to $2.5 million from $9.4 million for the same period in 2015. The decline in revenue is due to a combination of lower rental fleet utilization rates and average pricing, offset by a strengthened U.S. dollar when compared to the same period in 2015. During the second quarter of 2016, utilization rates for Strad's U.S. matting, surface equipment and solids control fleets declined by 27%, 54%, and 63%, respectively, compared to the same period in 2015. Pricing pressure in Q2 2016 contributed further to revenue declines. Both utilization and price declines year-over-year are the result of a decline in rig counts across all Strad's targeted resource plays in the U.S. Average rig counts declined in the Bakken, Rockies and Marcellus regions by 69%, 61%, and 59%, respectively, during the second quarter of 2016 compared to the same quarter in 2015.

A slight increase in the matting and solids control rental fleets year-over-year partially offset declines in utilization rates and average pricing. The U.S. surface equipment fleet decreased by 19 pieces of equipment to 2,014 pieces as at June 30, 2016, compared to 2,033 pieces as at June 30, 2015. Strad's U.S. solids control fleet increased by 2 centrifuges to a total of 55 as at June 30, 2016, compared to 53 centrifuges as at June 30, 2015. The U.S. matting fleet increased by 140 pieces to 13,223 as at June 30, 2016, compared to 13,083 pieces as at June 30, 2015. Finally, a strengthening U.S. dollar from Q2 2016 to Q2 2015 helped offset a portion of the revenue decline.

Adjusted EBITDA for the three months ended June 30, 2016, decreased 243% to $(1.2) million compared to $0.9 million for the same period in 2015. Adjusted EBITDA as a percentage of revenue, for the three months ended June

30, 2016, was (49)% compared to 9% for the same period in 2015. The decrease in both adjusted EBITDA and adjusted EBITDA as a percentage of revenue is primarily due to the decline in revenue compared to the same period in 2015.

Revenue for the six months ended June 30, 2016, decreased 69% to $7.3 million compared to $23.5 million for the same period in 2015. The year-over-year decrease in revenue was primarily driven by decreased utilization of Strad's matting, surface equipment and solid controls fleets.

Adjusted EBITDA for the six months ended June 30, 2016, decreased 133% to $(1.6) million compared to $5.0 million for the same period in 2015. Decreased adjusted EBITDA was due to lower revenue compared to the same period in 2015. Adjusted EBITDA as a percentage of revenue for the six months ended June 30, 2016, was (23)% compared to 21% for the same period in 2015.

Operating expenses for the three and six months ended June 30, 2016, of $2.3 million and $6.4 million decreased 67% and 57% respectively compared to $7.0 million and $15.1 million for the same period in 2015. The decline in operating expenses during the first six months of 2016 is a result of lower activity levels. A portion of the Company's operating expenses are fixed, thus the percentage decline is lower for operating expenses compared to revenue.

SG&A costs for the three and six months ended June 30, 2016, of $1.4 million and $2.5 million decreased 7% and 26% respectively compared to $1.5 million and $3.4 million for the same period in 2015. SG&A costs decreased due to cost reductions implemented by management including staff reductions, wage roll backs and reductions in discretionary spending.

Product Sales

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2016**	**2015**	**% chg.**	**2016**	**2015**	**% chg.**
Revenue	2,232	5,421	(59)	4,129	7,806	(47)
Operating expenses	1,616	5,112	(68)	3,461	7,615	(55)
Selling, general and administration	21	40	(48)	22	84	(74)
Share based payments	—	2	—	—	3	(100)
Net income (loss)	(252)	11		(546)	45	
Adjusted EBITDA[1]	595	267	123	646	104	521
Adjusted EBITDA as a % of revenue	27%	5%		16%	1%	
Total assets	52	545	(90)	52	545	(90)

Notes:

(1) *Earnings (loss) before interest, taxes, depreciation and amortization and other adjustments ("adjusted EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*

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

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.

Revenue for the three months ended June 30, 2016, decreased 59% to $2.2 million from $5.4 million for the same period in 2015, resulting primarily from lower sales of in-house manufactured products sold to external customers and third party equipment sales. During the second quarter, Product Sales consisted of $0.1 million of in-house manufactured products, $1.9 million of third party equipment sales and $0.2 million of rental fleet sales compared to $2.3 million, $2.2 million and $0.9 million, respectively, during the same period in 2015. Sales in the quarter were impacted by a significant decrease in demand, typical in the business when drilling activity levels decline.

Adjusted EBITDA for the three months ended June 30, 2016, increased 123% to $0.6 million compared to $0.3 million for the same period in 2015. Adjusted EBITDA as a percentage of revenue, for the three months ended June 30, 2016, was 27% compared to 5% for the same period in 2015. The increase in adjusted EBITDA was due to lower operating expenses during the second quarter of 2016 compared to the same period in the prior year.

Revenue for the six months ended June 30, 2016, decreased 47% to $4.1 million compared to $7.8 million for the same period in 2015. Revenue was lower during the first six months of 2016 due to decreased rig activity. Sales of Strad's rental fleet equipment fluctuate quarter-over-quarter and are primarily dependent on strategic opportunities to monetize underutilized rental assets.

Adjusted EBITDA for the six months ended June 30, 2016, increased 521% to $0.6 million compared to $0.1 million for the same period in 2015. The increase in adjusted EBITDA was due to lower operating expenses during the first half of 2016 compared to the same period in 2015. Adjusted EBITDA as a percentage of revenue, for the six months ended June 30, 2016, was 16% compared to 1% for the same period in 2015.

Operating expenses for the three and six months ended June 30, 2016, of $1.6 million and $3.5 million decreased 68% and 55% respectively compared to $5.1 million and $7.6 million for the same period in 2015. Operating expenses were removed from the business as activity levels declined.

Corporate

Selling, general and administration expenses are largely allocated to the individual operating segments and reflected in the adjusted EBITDA performance discussed previously. The remaining unallocated corporate costs consist of head office infrastructure and general corporate costs. Corporate costs for the three and six months ended June 30, 2016, were $0.9 million and $1.7 million compared to $0.6 and $1.3 million for the same period in 2015. Corporate costs as a percentage of total revenue during the three months ended June 30, 2016, were 10% compared to 2% in the prior year. Acquisition related transaction costs of $0.1 million and severance costs of $0.4 million were incurred for the three months ended June 30, 2016.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment, intangible assets and long term assets decreased to $4.5 million and $9.7 million for the three and six months ended June 30, 2016, compared to $7.0 million and $14.1 million for the same period in 2015. The decline in depreciation expense year over year was due to $0.7 million of capital additions in the first six months ended June 30, 2016 compared to $7.5 for the same period in 2015 in addition to property, plant and equipment impairments taken in 2015 of $7.8 million.

Interest and Finance Fees

Interest expense totaled $0.2 million and $0.4 million for the three and six months ended June 30, 2016, compared to $0.4 million and $0.9 million for the same period in 2015. Average funded debt for the six months ended June 30, 2016, was $10.2 million compared to $37.1 million for the same period in 2015.

Loss or Gain on Foreign Exchange

Gain/(loss) on foreign exchange for the three and six months ended June 30, 2016, was $(0.1) million and $0.4 million compared to a gain of $0.1 million and $0.2 million for the same period in 2015. 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 since a portion of the Company's customers and vendors transact in USD and the Company reports in CAD. The Canadian dollar has weakened by 4% against the U.S. dollar over the past year (1 CAD = 0.77 USD as at June 30, 2016, compared to 1 CAD = 0.80 USD as at June 30, 2015).

Income Taxes

For the six months ended June 30, 2016, the Company recorded a loss before income taxes of $10.9 million, incurred current income tax recovery of $1.1 million and deferred tax expense of $0.2 million, compared to a current tax recovery of $0.1 million and a deferred income tax recovery of $1.5 million for the same period in 2015. 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 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 8% for the six months ended June 30, 2016, compared to 56% for the same period in 2015. The low effective tax rate is due to the unrecognized deferred tax asset related to losses in the U.S. Operations segment of $3.5 million.

SUMMARY OF QUARTERLY RESULTS

($000's, except per share amounts)	Three months ended Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Revenue	9,580	15,258	21,972	25,299
Adjusted EBITDA[(1)]	(1,983)	398	2,500	4,021
Net (loss) income	(6,958)	(2,994)	(8,316)	(20,362)
Per share ($), basic	(0.19) [(2)]	(0.08)	(0.23)	(0.55)
Per share ($), diluted	(0.19) [(2)]	(0.08)	(0.23)	(0.55)

Notes:

(1) Adjusted *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*

(2) *Includes one time non-recurring items of $0.1 million, and severance costs of $0.4 million.*

($000's, except per share amounts)	Three months ended Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Revenue	29,907	34,370	56,089	58,115
Adjusted EBITDA[(1)]	3,854	7,057	17,571	17,835
Net income	(1,887)	204	6,125	7,968
Per share ($), basic	(0.05)	0.01	0.17	0.22
Per share ($), diluted	(0.05)	0.01	0.16	0.21

Notes:

(1) Adjusted *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*

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 U.S. does not normally experience the same seasonal reduction in drilling activity that the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is typically minimal during the first quarter, much stronger in the second quarter and third quarter and then decreases through the end of the year. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter and then increases over the next two quarters. Strad invests strategically in its asset base so the deployment of new equipment can coincide with higher levels of sustained activity in the second half of the year.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	June 30, 2016	December 31, 2015
Current assets	13,953	25,035
Current liabilities	7,582	12,632
Working capital[(1)]	6,371	12,403
Banking facilities		
Operating facility	522	2,874
Syndicated revolving facility	9,000	15,500
Total facility borrowings	9,522	18,374
Total credit facilities [(2)]	70,000	70,000
Unused credit capacity	60,478	51,626

Notes:

(1) *Working capital is calculated as current assets less current liabilities.*

(2) *Facilities 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 all of the Company's assets. As at June 30, 2016, Strad had access to $70 million of credit facilities.*

As at June 30, 2016, working capital was $6.4 million compared to $12.4 million at December 31, 2015. The change in current assets is a result of a 68% decrease in accounts receivable to $5.4 million for the second quarter of 2016 compared to $16.8 million for the fourth quarter of 2015. Accounts receivable decreased due to the 68% decline in revenue during the second quarter of 2016 compared to the fourth quarter of 2015. Additionally, inventory decreased by 10% to $4.7 million for the second quarter of 2016 from $5.2 million for the fourth quarter of 2015, and prepaid expenses decreased to $1.1 million for the second quarter from $1.5 million for the fourth quarter of 2015. Inventory decreased due to the decline in Product Sales during Q2 2016 compared to Q4 2015.

The change in current liabilities is a result of a 25% decrease in accounts payable and accrued liabilities to $6.6 million for the second quarter of 2016 compared to $8.9 million at year end. Accounts payable decreased due to a decline in activity and operating expenses during Q2 2016 compared to Q4 2015. Bank indebtedness decreased to $0.5 million at the end of the second quarter compared to bank indebtedness of $2.9 million for the fourth quarter of 2015.

Funds from operations for the three months ended June 30, 2016, decreased to $(1.0) million compared to $4.0 million for the three months ended June 30, 2015. Capital expenditures totaled $0.2 million for the three months ended June 30, 2016. Strad's total facility borrowing increased by $6.5 million for the three months ended June 30, 2016, compared to Q4 2015. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

As at June 30, 2016, the Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $10.0 million CAD and $7.0 million USD, and an $53.0 million syndicated 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 all of the Company's assets. As at June 30, 2016, the Company has access to the maximum credit facilities. 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. The Company's syndicated banking facility matures on September 29, 2018.

Based on the Company's funded debt to EBITDA ratio of 1.3 to 1.0 at the end of the second quarter of 2016, 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 six months ended June 30, 2016, the overall effective rates on the operating facility and revolving facility were 4.40% and 2.82%, respectively. As of June 30, 2016, $0.5 million was drawn on the operating facility and $9.0 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at June 30, 2016, the Company was in compliance with all of the financial covenants under its credit facilities.

The relevant definitions of financial debt covenant ratio terms as set forth in the Company's syndicated banking facility are as follows:

- Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.
- EBITDA is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional one time charges.
- Interest expense ratio is calculated as the ratio of trailing twelve months adjusted EBITDA plus share based payments to trailing twelve months interest expense on loans and borrowings.

The above noted definitions are not recognized under IFRS and are provided strictly for the purposes of the financial debt calculation.

Financial Debt Covenants	**As at June 30, 2016**	**As at December 31, 2015**
Funded debt to EBITDA ratio (not to exceed 3.0:1.0)		
Funded debt	10,240	19,592
EBITDA	7,719	20,264
Ratio	1.3	1.0
EBITDA to interest coverage ratio (no less than 3.0:1.0)		
EBITDA	7,719	20,264
Interest expense	1,138	1,625
Ratio	6.8	12.5

In connection with the acquisition previously announced on July 13, 2016, Strad has amended its existing credit facilities to include amendments to financial covenants, an equity cure, as well as reduce the current limits from CAD $63.0 million plus $7.0 million USD to CAD $43.5 million plus $5.0 million USD. These amendments are contingent to the completion of the acquisition. Strad believes the proposed acquisition will have a positive effect on the financial condition, performance and cash flows of the combined Company, which will be realized through operational and strategic synergies.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at June 30, 2016, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4+ Years**
Finance leases	532	308	224	—
Operating leases	15,701	2,155	6,057	7,489
Total commitments	16,233	2,463	6,281	7,489

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

OUTSTANDING COMPANY SHARE DATA

	As of August 9, 2016
Common shares	37,280,397
Options	1,830,503
Fully diluted common shares	39,110,900

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2016, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Loans to key management

Key management includes the Company's directors and members of the Executive Management Team.

		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.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgments, assumptions and estimates in applying its accounting policies and practices which have a significant impact on the financial results of the Company. The following discussion outlines the accounting policies and practices involving the use of estimates that are critical to determining Strad's financial results.

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values 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 and residual values of the Company's property, plant and equipment in the future.

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

The Company reviews the carrying value of its long-lived assets and CGU's at each balance sheet date to determine whether there is any indication of impairment. During the second quarter of 2016, no impairment of property, plant and equipment was noted by the Company. The recoverable amounts of CGU's are determined using the greater of fair value less costs of disposal and value-in-use. Fair value less costs of disposal 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 of disposal requires management to make judgments of fair value using market conditions as well as estimations of costs to dispose.

Compensation costs accrued for long-term share-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.

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.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have designed, or have caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurances that (i) material information relating to the Company is made known to the Corporation's Chief Executive Officer and Chief Financial Officer by others, particularly during the period of time in which the annual and interim filings are being prepared; and (ii) the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within 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 annual filings, interim filings or other reports filed or 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 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 (2013) ("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, 2015, 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 three months ended June 30, 2016, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, 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. The following are a selection of certain risks and uncertainties identified by the Company.

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 assurance that demand for the Company's services will be maintained at current levels.

The demand, pricing and terms of oil and natural gas services largely depends 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, the availability of services relating to drilling and completion, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

The level of activity in the oil and natural gas industry in the WCSB and in the United States is volatile. Commodity prices are expected to remain volatile and have declined and may continue to decline further as a result of global excess supply due to the increased growth of shale oil production in the United States, the decline in global demand for exported crude oil commodities, and the Organization of the Petroleum Exporting Countries' ("OPEC") recent decisions pertaining to the oil production of OPEC member countries, among other factors. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore, affect the demand for drilling and well services by oil and natural gas companies. Any addition to, or elimination, or curtailment of, government incentives for companies involved in the exploration for, and production of, oil and natural gas, could have a significant effect on the oilfield services industry in the WCSB. A material sustained decline in industry activity, could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Competition

The Company competes with a number of companies with varying technical and financial resources. Several businesses that compete directly with Strad, but may be part of a larger entity, include Precision Drilling Corporation, Total Energy Services Inc., Clean Harbors Inc., Black Diamond Group Limited, Horizon North Logistics Inc. and Stallion Oilfield Services Ltd. The Company's competitors in the United States market where the Company operates are region specific. The largest national competitor is Stallion Oilfield Services Ltd. 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.

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 make additional capital investments. The Company expects to finance these capital expenditures through vendor financing, ongoing cash flow from operations, borrowings under its syndicated credit facility and by raising capital through the sale of additional debt or equity securities. 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. The Company's inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Company's growth and may have a material adverse effect on the Company.

Current Global Financial Conditions

Current global financial conditions have been subject to volatility. Worldwide commodity prices are expected to remain volatile in the near future as a result of global excess supply, recent actions taken by OPEC and ongoing global credit and liquidity concerns. As a result of these global conditions, the Company is subject to counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold the Company's cash; and (ii) the Company's insurance providers. As a result, the Company may become exposed to credit related losses in the event of non-performance by counterparties to these financial instruments. In the event that a counterparty fails to complete its obligations, the Company would bear the risk of loss of the amount expected to be received under these financial instruments in the event of the default or bankruptcy of a counterparty.

The Company is also exposed to liquidity risk in the event its cash positions decline or become inaccessible for any reason, or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable, or demand for oil and gas falls. Any of these factors may impact the ability of the Company to obtain further equity based funding, loans and other credit facilities in the future, and, if obtained, on terms favorable to the Company.

Seasonality of Oilfield Operations

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. As warm weather returns in the spring, the winter's frost comes out of the ground (commonly referred to as "spring breakup"), rendering many secondary roads incapable of supporting heavy loads and as a result road bans are implemented prohibiting heavy loads from being transported in certain areas. Therefore, the movement of heavy equipment required for drilling and well servicing activities is restricted, and the level of activity of our customers is consequently reduced. As the Company continues its expansion into the United States, these seasonal factors will be reduced.

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 have significant exposure to one customer that accounted for 22% of revenue from operations for the six months ended June 30, 2016.

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 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.

The Company is committed to meeting its responsibilities to protect the environment wherever it operates and takes the required steps to ensure compliance with environmental legislation in the jurisdictions in which it operates. Strad believes that it is in material compliance with applicable environmental laws and regulations.

The Company believes that it is reasonably likely that the trend towards more stringent standards in environmental legislation and regulation will continue. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not currently possible to predict either the nature of those requirements or the impact on the Company and its operations and financial condition at this time.

Redneck Acquisition

Risks associated with the acquisition include the normal commercial risks that such transaction may not be completed on the terms negotiated or at all. Additionally, achieving the benefits of the Acquisition may be dependent in part on the successful consolidation of the Company's functions, operations, procedures and personnel in a timely and efficient manner, as well as the ability of Strad to realize the anticipated business opportunities and synergies from combining the Redneck entities businesses and operations with those of Strad. Further, the Transaction is subject to a number of conditions, certain of which are outside of the control of Strad and remain to be satisfied as of the date of the Management Discussion and Analysis including requisite approvals from Strad Shareholders and regulatory approvals. There is no certainty that these conditions will be satisfied.

For additional information, including risks and uncertainties and other factors that could affect the Company's business, see "Risk Factors" in the Company's AIF dated March 29, 2016, which is available on SEDAR at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

The Company's Management is responsible for the information disclosed in this MD&A and the accompanying unaudited condensed interim consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the related unaudited condensed interim consolidated financial statements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking information and statements within the meaning of applicable securities laws. 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. More particularly, this MD&A contains forward-looking statements concerning completion of the Acquisition and the timing thereof, future capital expenditures of the Company and funding thereof, changes and expectations in margins to be experienced by Strad, anticipated cash flow, debt, 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 and the potential for growth and expansion of certain components of the Company's business, anticipated benefits from cost reductions and timing thereof, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity including the effects of industry trends on demand for the Company's products. 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.

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. In addition to other material factors, expectations and assumptions which may be identified in this MD&A and other continuous disclosure documents of the Company referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the Company will complete the Acquisition; the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Company operates; exchange and interest rates; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, which are subject to change based on commodity prices; market conditions and future oil and natural gas prices; and potential timing delays. Although Management considers these material factors, expectations and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with the Canadian Securities Regulatory Authorities and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website. The forward-looking statements and information contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

NON-IFRS MEASURES RECONCILIATION

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS 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 measure. However, they should not be used as an alternative to IFRS, because they may not be consistent with calculations of other companies. These measures are further explained below.

Earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”) is not a recognized measure under IFRS. Management believes that in addition to net income, adjusted 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. Adjusted EBITDA is calculated as net income (loss) plus interest, finance fees, taxes, depreciation and amortization, loss on disposal of property, plant and equipment, loss on foreign exchange, less gain on foreign exchange and gain on disposal of property, plant and equipment. Segmented adjusted EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations, U.S. Operations and Product Sales.

Funds from operations are cash flow from operating activities excluding changes in working capital and foreign exchange gains and losses. 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, cash forecasting and banking facilities are used by Management to ensure funds are available to finance growth opportunities.

Funded debt is calculated as bank indebtedness plus long-term debt plus current and long-term portion of finance lease obligations less cash.

Reconciliation of Adjusted EBITDA and Funds from Operations
($000's)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net loss	$ (6,958)	$ (1,887)	$ (9,952)	$ (1,683)
Add:				
Depreciation and amortization	4,516	7,020	9,665	14,065
Gain on disposal of PP&E	(268)	(80)	(461)	(125)
Share-based payments	78	79	119	168
Deferred income tax (recovery) expense	1,438	(1,541)	238	(1,990)
Financing fees	47	50	94	97
Interest expense	157	391	401	887
Funds from (used in) operations	(990)	4,032	104	11,419
Add:				
Gain on foreign exchange	3	(81)	(434)	(216)
Current income tax recovery	(918)	(18)	(1,136)	(124)
Subtotal	(1,905)	3,933	(1,466)	11,079
Deduct:				
Share-based payments	78	79	119	168
Adjusted EBITDA	(1,983)	3,854	(1,585)	10,911

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

	Three months ended			
	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015
Net (loss) income	$ (6,958)	$ (2,994)	$ (8,316)	$ (20,362)
Add:				
Depreciation and amortization	4,516	5,149	7,126	9,616
Gain on disposal of PP&E	(268)	(193)	(99)	(30)
Gain (loss) on foreign exchange	3	(437)	216	380
Current income tax (recovery) expense	(918)	(217)	(677)	(432)
Deferred income tax (recovery) expense	1,438	(1,201)	(4,033)	(2,776)
Interest expense	157	244	427	311
Impairment loss	—	—	7,822	17,277
Finance fees	47	47	34	37
Adjusted EBITDA	(1,983)	398	2,500	4,021

	Three months ended			
	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Net income	$ (1,887)	$ 204	$ 6,125	$ 7,968
Add:				
Depreciation and amortization	7,020	7,045	7,543	5,799
Loss (gain) on disposal of PP&E	(80)	(45)	(16)	665
Loss on disposal of assets held for sale	—	—	(11)	—
(Gain) loss on foreign exchange	(81)	(135)	47	(181)
Current income tax expense (recovery)	(18)	(106)	850	967
Deferred income tax expense (recovery)	(1,541)	(449)	2,092	2,042
Interest expense	391	496	495	543
Impairment loss	—	—	406	—
Finance fees	50	47	40	32
Adjusted EBITDA	3,854	7,057	17,571	17,835