MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of November 5, 2013, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company")**. This MD&A discusses the operating and financial results for the three and nine months ended September 30, 2013, 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 nine months ended September 30, 2013, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2012, all of which were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY".

Additional information relating to Strad for the three months ended September 30, 2013, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR")** at www.sedar.com.

SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Third quarter EBITDA[(1)] from continuing operations of $10.4 million decreased 13% compared to $12.0 million for the same period in 2012;

- Third quarter revenue from continuing operations of $47.4 million, a 7% decrease compared to $51.1 million for the same period in 2012;

- Capital additions totaled $5.3 million during the third quarter. Reported capital expenditures, net of $1.1 million rental asset disposals, were $4.2 million during the third quarter and $5.7 million year to date;

- Total funded debt [(2)] to twelve month trailing EBITDA ratio of 1.2 to 1 at the end of the third quarter of 2013; and

- Third quarter earnings per share from continuing operations of $0.06 compared to $0.08 for the same period in 2012.

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("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. EBITDA is based on trailing twelve months. See "Non-IFRS Measures Reconciliation".*

THIRD QUARTER FINANCIAL HIGHLIGHTS

($000's)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	% Chg.	2013	2012	% Chg.
Revenue from continuing operations	47,425	51,094	(7)	141,724	161,699	(12)
EBITDA from continuing operations [(1)]	10,422	12,030	(13)	29,850	38,896	(23)
EBITDA as a % of revenue	22%	24%		21%	24%	
Per share ($), basic	0.28	0.33	(15)	0.82	1.06	(23)
Per share ($), diluted	0.28	0.32	(13)	0.80	1.03	(22)
Net income (loss) from continuing operations [(2)]	2,373	2,937	(19)	3,449	10,832	(68)
Per share ($), basic	0.06	0.08	(25)	0.09	0.30	(70)
Per share ($), diluted	0.06	0.08	(25)	0.09	0.29	(69)
Funds from continuing operations [(3)]	10,013	10,950	(9)	29,554	36,722	(20)
Per share ($), basic	0.27	0.30	(10)	0.81	1.00	(19)
Per share ($), diluted	0.27	0.29	(7)	0.79	0.98	(19)
Capital expenditures from continuing operations	5,325	9,921	(46)	15,959	58,448	(73)
Dispositions of rental assets [(4)]	(1,133)	(826)	37	(10,211)	(2,692)	279
Net capital expenditures [(5)]	4,192	9,095	(54)	5,748	55,756	(90)
Total assets	207,448	236,327	(12)	207,448	236,327	(12)
Return on average total assets [(6)]	19%	20%		17%	23%	
Long-term debt [(7)]	39,000	53,500	(27)	39,000	53,500	(27)
Total long-term liabilities	47,564	70,101	(32)	47,564	70,101	(32)
Common shares - end of period ('000's)	37,251	37,251		37,251	37,251	
Weighted avg common shares ('000's)						
Basic	36,621	36,623		36,575	36,683	
Diluted	37,389	37,499		37,345	37,623	

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(2) *Net income from continuing operations excludes income attributable to the non-controlling interests.*
(3) *Funds from continuing operations is cash flow from operating activities before changes in working capital. Funds from operations is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(4) *Dispositions reported at net book value.*
(5) *Includes assets acquired under finance lease and purchases of intangible assets. Net capital expenditures are net of rental asset disposals.*
(6) *Return on average total assets is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(7) *Excluding current portion.*

OVERVIEW OF THE COMPANY

Strad offers its customers a wide range of well-site infrastructure solutions, including Surface Equipment, Environmental and Access Matting, Solids Control and Waste Management, EcoPond® (frac-water storage), Drill Pipe, and Manufacturing and Equipment Design. Strad has strategically diversified its operations through the addition of new products and services, and is geographically diversified across North America. Strad's commodity exposure includes conventional and unconventional oil, liquids rich natural gas and dry natural gas. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin ("WCSB") into resource plays in the United States ("U.S."), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, and selected areas within the western United States Rockies. As of September 30, 2013, the Company has 28 operating locations throughout North America.

THIRD QUARTER RESULTS

Strad reported a decrease in revenue and EBITDA of 7% and 13%, respectively, during the three months ended September 30, 2013, compared to the same period in 2012. Strad's Q3 2013 results continued to be impacted by modest drilling activity levels in the Marcellus and Bakken regions due to low natural gas prices, improving drilling efficiencies, lower year-over-year customer spending and increased competition and pricing pressure. In the WCSB region, drilling rig activity increased at a slower pace, versus historical levels, during the third quarter due to unseasonably wet weather conditions. These declines were partially offset by profit generated from product sales related to sales of in-house manufactured products.

Strad’s Canadian Operations reported lower EBITDA during the three months ended September 30, 2013, compared to the same period in 2012. Decreased EBITDA was a result of reduced drilling activity in the WCSB, which impacted matting pricing when compared to the third quarter of 2012. Early in the third quarter, wet weather conditions resulted in a 5% decrease in year-over-year drilling activity. Overall drilling activity averaged 2% higher year-over-year by the end of the quarter.

During the third quarter, Strad’s U.S. Operations continued to be impacted by a continuation of lower year-over-year utilization levels in the Marcellus and Bakken resource plays. Overall rig counts during the third quarter declined year-over-year by 11% and 13%, in the Marcellus and Bakken, respectively, resulting in relatively lower utilization rates and pricing for Strad’s surface equipment fleet. Third quarter results in the U.S. were also affected by a reduced matting fleet size resulting from sales of SteelLock mats during the second quarter of 2013. Third quarter results were also impacted by management’s strategic decision to invest in U.S. field sales staff to increase market share in Strad’s key regions in the U.S. Increased solids control utilization in the Bakken region during the third quarter partially offset utilization and pricing impacts on surface equipment.

During the third quarter, capital expenditures were $2.3 million in Canada and $1.7 million in the U.S., net of $1.1 million and $0.1 million in rental asset disposals. Capital expenditures are reported net of the net book value of rental assets sold in the period. For the nine months ended September 30, 2013, Strad has spent $15.9 million on a gross basis, or $5.7 million, net of $10.2 million in rental asset disposals, of its budgeted $15.0 million capital program. Strad continues to invest in equipment which is in high demand in both Canada and the U.S.

OUTLOOK

Industry conditions during the third quarter remained relatively level on a year-over-year basis in Canada, whereas overall drilling activity in the U.S. declined slightly. Limited growth in the WCSB was a byproduct of wetter than normal summer months as well as the continuation of broader constraints relating to oil transportation bottlenecks and the general lack of access to capital for many companies in the Canadian E&P sector. South of the border, U.S. drilling activity continued to be impacted by the reduced number of rigs targeting lower margin natural gas plays as well as the ongoing maturation and increased drilling efficiency of the Bakken resource play.

In the WCSB, active drilling rigs in the third quarter of 2013 remained relatively level, averaging 338 compared with 331 for the same period in 2012. In the United States, drilling rig activity continued to vary by region, with the total active U.S. rig count declining by 7% on a year-over-year basis. The majority of Strad’s U.S. fleet continues to operate in the Bakken and Marcellus resource plays, both of which experienced reduced rig counts. The active rig count in the Bakken averaged 183 rigs in the third quarter of 2013, down 13% from 210 in the prior year period. In the gas-weighted Marcellus play, the active rig count averaged 83 during the third quarter of 2013, down 11% from 93 in the prior year period. On a sequential basis, rig counts in the Bakken and Marcellus declined 3% and increased 5%, respectively.

Marcellus operations are in close proximity to the Utica Shale where rig counts have grown 64% over the prior year period. Bakken operations are also in close proximity to the Rockies region, consisting of Colorado, Wyoming and Utah, where an average of 149 rigs were drilling during the third quarter. Both the Utica Shale and Rockies region represent platforms to grow utilization of rental assets from existing operating regions. In addition to drilling activity, the the long-term build out of Liquefied Natural Gas ("LNG") infrastructure in Canada could result in increased demand for Strad's products and services.

Strad's third quarter Canadian operations were impacted by unseasonably wet weather conditions during the months of June and July, which resulted in a slower ramp up in third quarter drilling activity. Strad's matting fleet had lower revenues on similar year-over-year utilization levels, which was primarily a result of Strad's reduced matting inventory following sales of used mats in the second quarter. Strad's Canadian matting business also experienced some pricing pressure in the third quarter, which impacted the product line's contribution to company-wide revenue. A similar decline in revenue contribution was also experienced with Strad's Canadian drill pipe rentals, where Strad has re-allocated a portion of these assets to its U.S. operating regions to capitalize on long-term contract opportunities. The Company expects drilling activity levels in the WCSB to ramp up through the fourth quarter and into the winter drilling season.

In Strad's U.S. business, the Company realized EBITDA margins of 23% during the third quarter despite the year-over-year decline in rig counts in the Bakken and Marcellus resource plays. Management continues to expect margins to normalize in the range of 25% to 30% for the Company's U.S. operations and views this margin range as sustainable for the foreseeable future. Strad remains optimistic regarding the potential of its operations in the maturing Bakken and Marcellus markets where the Company's investment into its field sales force have reinforced a solid foothold and created opportunities to expand.

Strad's product sales division continues to comprise a consistent component of the Company's revenue stream. The Company's product sales business is made up of its manufacturing, third party sales, and existing rental fleet asset sales operations. The manufacturing and third party sales typically produce the majority of the division's overall revenue stream. Strad's product sales division remains strongly correlated with its U.S. and Canadian matting rental fleet divisions, with similar demand drivers impacting both aspects of the Company's business.

Strad's third quarter net capital expenditures totaled $4.2 million, with the majority of this capital deployed in Canada. This represented a year-over-year decline of 54%, which continues to be the result of significant investment made to Strad's fleet during 2012 as well as relatively stagnant industry conditions. Management plans to continue its practice of deploying cash from operations towards both capital expenditures and debt reduction on a quarter-by-quarter basis, thereby allowing the Company to selectively target key areas for growth, maintain its current dividend, and reduce its overall debt levels.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended September 30,			Nine months ended September 30,		
($000's)	**2013**	**2012**	**% chg.**	**2013**	**2012**	**% chg.**
Revenue	19,129	19,165	—	51,202	56,616	(10)
EBITDA (1)	5,599	7,618	(27)	13,058	19,144	(32)
EBITDA %	29%	40%		26%	34%	
Capital expenditures from cont. operations	3,386	4,225	(20)	9,806	23,632	(59)
Dispositions of rental assets (2)	(1,073)	(575)	87	(9,179)	(2,100)	337
Net capital expenditures (3)	2,313	3,650	(37)	627	21,532	(97)
Gross capital assets	105,872	103,322	2	105,872	103,322	2
Total assets	100,269	104,255	(4)	100,269	104,255	(4)

Notes:

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

(2) *Dispositions reported at net book value.*

(3) *Includes assets acquired under finance lease and purchases of intangible assets. Net capital expenditures are net of rental asset sales.*

Revenue generated for the three months ended September 30, 2013, was $19.1 million, level with $19.2 million for the same period in 2012. Third quarter 2013 revenue was consistent, despite a slower increase in drilling activity early in the quarter due to wet weather conditions. At the beginning of the third quarter, drilling activity was down 5% year-over-year and ended the quarter 2% higher than during the same period in 2012. Third quarter 2013 rental revenue was impacted by a decline in the size of Strad's Canadian matting rental fleet, after sales of used SteelLock mats in the second quarter of 2013. In addition to a smaller fleet, matting rental revenue was also impacted by lower year-over-year pricing. Lower Canadian drill pipe revenue also affected third quarter results, as Strad re-allocated drill pipe from Canada to the U.S., in order to capitalize on long-term contract opportunities. However, offsetting declines in matting and drill pipe rental revenue were higher surface equipment rental revenue, higher trucking, service and other revenues, which increased despite the wet weather conditions.

Revenue generated for the nine months ended September 30, 2013, decreased 10% to $51.2 million compared to $56.6 million for the same period in 2012. Lower drilling activity levels were the main driver of year-over-year revenue declines.

EBITDA for the three months ended September 30, 2013, of $5.6 million, decreased 27%, compared to $7.6 million for the same period in 2012. EBITDA as a percentage of revenue for the three months ended September 30, 2013, was 29% compared to 40% for the same period in 2012. This decrease was primarily due to reduced rental revenue and a shift in product mix from matting and drill pipe to surface equipment. Lower rental revenue was offset by higher service, trucking and other revenues, which typically have lower margins than rental revenue.

EBITDA for the nine months ended September 30, 2013, decreased 32% to $13.1 million compared to $19.1 million for the same period in 2012. Decreased EBITDA was a result of lower rental revenue and a shift in product mix during the first nine months of 2013 compared to the same period in 2012. EBITDA as a percentage of revenue for the nine months ended September 30, 2013, was 26% compared to 34% for the same period in 2012.

U.S. Operations

	Three months ended September 30,			Nine months ended September 30,		
($000's)	**2013**	**2012**	**% chg.**	**2013**	**2012**	**% chg.**
Revenue	13,580	16,550	(18)	40,343	57,401	(30)
EBITDA [1]	3,071	2,785	10	11,493	15,390	(25)
EBITDA %	23%	17%		28%	27%	
Capital expenditures from cont. operations	1,808	4,540	(60)	5,607	32,966	(83)
Dispositions of rental assets [2]	(60)	(251)	(76)	(1,033)	(593)	74
Net capital expenditures [3]	1,748	4,289	(59)	4,574	32,373	(86)
Gross capital assets	102,048	105,754	(4)	102,048	105,754	(4)
Total assets	103,089	118,872	(13)	103,089	118,872	(13)

Notes:

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

(2) Dispositions reported at net book value.

(3) Includes assets acquired under finance lease and purchases of intangible assets. Net capital expenditures are net of rental asset sales.

Revenue for the three months ended September 30, 2013, decreased 18% to $13.6 million from $16.6 million for the same period in 2012. Year-over-year revenue declines continue to reflect the impact of lower drilling activity in the U.S., specifically in the Marcellus and Bakken resource plays, where rig counts declined 11% and 13%, respectively, from third quarter 2012 levels. Decreased rig counts have resulted in increased competition in both resource plays, which caused lower surface equipment utilization as well as pricing pressure relative to 2012. Third quarter revenue was also impacted by idle drill pipe, which was on standby and not collecting a day rate while rig moves were completed during the quarter. The Bakken continued to be the most active resource play for Strad's U.S. Operations, generating 72% of total U.S. revenue.

Revenue for the nine months ended September 30, 2013, decreased 30% to $40.3 million from $57.4 million for the same period in 2012. The decrease in revenue year-over-year was due to the same activity related factors impacting the third quarter results in comparative periods.

EBITDA for the three months ended September 30, 2013, increased 10% to $3.1 million compared to $2.8 million for the same period in 2012. EBITDA as a percentage of revenue for the three months ended September 30, 2013, was 23% compared to 17% for the same period in 2012. The increase in both EBITDA and EBITDA as a percentage of revenue, despite the previously mentioned year-over-year decline in revenue, is due to the ongoing success of management's restructuring plan, which re-aligned the U.S. Operations cost structure with current market conditions. EBITDA as a percentage of revenue has declined from first and second quarter 2013 levels of 32% and 31%, respectively, due to drill pipe being idle during the third quarter, a shift in product mix and management's strategic investment in an expanded U.S. field sales force.

EBITDA for the nine months ended September 30, 2013, decreased 25% to $11.5 million compared to $15.4 million for the same period in 2012. The decrease is consistent with utilization and revenue declines discussed previously. EBITDA as a percentage of revenue for the nine months ended September 30, 2013, increased to 28% compared to 27% for the same period in 2012.

Product Sales

	Three months ended September 30,			Nine months ended September 30,		
($000's)	**2013**	**2012**	**% chg.**	**2013**	**2012**	**% chg.**
Revenue	14,716	15,379	(4)	50,179	47,682	5
EBITDA (1)	2,632	2,357	12	7,995	6,913	16
EBITDA %	18%	15%		16%	14%	
Capital expenditures (2)	61	208	(71)	264	855	(69)
Total assets	838	8,339	(90)	838	8,339	(90)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization ("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 September 30, 2013, decreased 4% to $14.7 million from $15.4 million for the same period in 2012, resulting primarily from lower in-house manufactured product sales. During the third quarter, Product Sales consisted of $8.5 million of in-house manufactured products, $4.7 million of third party equipment sales and $1.5 million of rental fleet sales compared to $9.4 million, $5.0 million and $1.0 million, respectively, during the same period in 2012. Manufactured product sales decreased due to lower drilling activity in 2013 compared to 2012. However, demand for manufactured products, primarily rig mats, increased sequentially during the third quarter compared to the second quarter of 2013. Sales of Strad's rental fleet equipment fluctuate quarter-over-quarter and are primarily dependent on strategic opportunities to monetize underutilized rental assets.

Revenue for the nine months ended September 30, 2013, increased 5% to $50.2 million from $47.7 million for the same period in 2012. Product Sales consisted of $20.9 million of in-house manufactured products, $15.4 million of third party equipment sales and $13.9 million of rental fleet sales compared to $24.9 million, $19.5 million and $3.3 million, respectively, during the same period in 2012. Increased matting sales during the second quarter were the primary driver of year-over-year revenue increases. Matting sales during the first nine months of 2013 consisted of both third party mat sales and sales of Strad's rental fleet to existing customers.

EBITDA for the three months ended September 30, 2013, of $2.6 million increased by 12% compared to $2.4 million for the same period in 2012. The increase in EBITDA was due to higher in-house manufactured product sales margins during the third quarter of 2013 due to reduced overhead costs. EBITDA as a percentage of revenue for the three months ended September 30, 2013, increased to 18% compared to 15% for the same period in 2012. EBITDA as a percentage of revenue tends to vary quarter-over-quarter depending on the mix of sales, as realized margins on third party equipment sales and sales of equipment from Strad's existing fleet fluctuate more compared to sales of in-house manufactured products.

EBITDA for the nine months ended September 30, 2013, of $8.0 million, increased by 16% compared with $6.9 million for the same period in 2012. EBITDA as a percentage of revenue for the nine months ended September 30, 2013, increased to 16% from 14% during the same period in 2012.

Corporate

Selling, general and administrative expenses are largely allocated to the individual operating segments and reflected in the EBITDA performance discussed previously. The remaining unallocated Corporate costs consist of head office infrastructure and general corporate costs. Corporate costs for the three months ended September 30, 2013, were $0.9 million as compared to $0.7 million for the same period in 2012. Corporate costs as a percentage of total revenue during the three months ended September 30, 2013, increased slightly from 1% in 2012 to 2%, predominantly due to revenue declines.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets used in continuing operations remained relatively consistent at $7.3 million for the three months ended September 30, 2013, compared to $7.4 million for the same period in 2012.

Interest and Finance Fees

Interest expense from continuing operations totaled $0.8 million for the three months ended September 30, 2013, compared to $0.9 million for the same period in 2012. Average funded debt for the three months ended September 30, 2013 was $50.2 million compared to $65.1 million for the same period in 2012. Interest expense for the quarter was higher relative to the average funded debt due to increased interest rates resulting from a higher funded debt to twelve month trailing EBITDA ratio at June 30, 2013.

Finance fees from continuing operations for the three months ended September 30, 2013, remained consistent with 2012 at $0.1 million. Financing fees are costs incurred to secure debt financing.

Gain/Loss on Foreign Exchange

Gain on foreign exchange from continuing operations for the three months ended September 30, 2013, was $0.1 million compared to a loss of $0.5 million for the same period in 2012. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/U.S. exchange rates. The Company has exposure to U.S. dollars as operations in the U.S. represent a significant component of the asset base and operating cash flow. The Canadian dollar has weakened by 4% against the U.S. dollar over the past year (1 CAD = 0.97 USD at September 30, 2013, compared to 1 CAD = 1.02 USD at September 30, 2012).

Income Taxes

For the three months ended September 30, 2013, the Company earned income before income taxes, non-controlling interest and discontinued operations of $2.2 million, incurred current income tax expense of $0.6 million and deferred tax recovery of $0.8 million from continuing operations, compared to a current tax expense of $0.8 million and a deferred income tax recovery of $0.5 million for the same period in 2012. 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 (22)% for the nine months ended September 30, 2013, compared to 38% for the same period in 2012. The low effective tax rate is due to recoveries of income tax due to incremental deductions that were material in the context of modest levels of pre-tax net income.

Discontinued Operations

On January 12, 2012, the Company announced the sale of its Production Services Division. Therefore, the financial results of the Production Services Division have been classified as discontinued operations in the Company's condensed interim consolidated financial statements.

For the three months ended September 30, 2013, the Company recorded income of $nil (2012-$nil), net of tax, from discontinued operations.

Non-Controlling Interest

For the three months ended September 30, 2013, non-controlling interest was $nil compared to a loss of $22 thousand for the same period in 2012. During 2012, the Company acquired all of the outstanding non-controlling interests which existed in less than wholly-owned subsidiaries.

SUMMARY OF QUARTERLY RESULTS

	Three months ended (unaudited)			
($000's, except per share amounts)	Sept. 30, 2013	Jun. 30, 2013	Mar. 31, 2013	Dec. 31, 2012
Revenue from continuing operations	47,425	49,576	44,723	41,465
EBITDA from continuing operations(1)	10,422	8,769	10,659	7,675
Net income (loss) from continuing operations (2)	2,373	13	1,063	(3,490)
Per share ($), basic	0.06	—	0.03	(0.1)
Per share ($), diluted	0.06	—	0.03	(0.09)

	Three months ended (unaudited)			
($000's, except per share amounts)	Sept. 30, 2012	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011
Revenue from continuing operations	51,094	54,304	56,301	62,098
EBITDA from continuing operations(1)	12,030	10,885	15,981	17,169
Net income from continuing operations (2)	2,937	2,772	5,123	7,661
Per share ($), basic	0.08	0.08	0.14	0.21
Per share ($), diluted	0.08	0.07	0.14	0.21

Notes:

(1) *EBITDA is not a recognized measure under IFRS; see "Non-IFRS Measures Reconciliation".*
(2) *Net income (loss) from continuing operations, attributable to owner's of the parent.*

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately half of Strad's gross capital assets are located in the U.S. The United States does not normally experience the same 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 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)	September 30, 2013	June 30, 2013
Current assets	45,301	50,466
Current liabilities	32,089	30,961
Working capital(1)	13,212	19,505
Banking facilities		
Operating facility	4,079	2,847
Syndicated revolving facility	39,000	49,400
Total facility borrowings	43,079	52,247
Total credit facilities (2)	110,000	110,000
Unused credit capacity	66,921	57,753

(1) Working capital is calculated as current assets less current liabilities, excluding assets held for sale. See "Non-IFRS Measures Reconciliation".
(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 the Company's assets. As at September 30, 2013, Strad had access to $104 million out of the $110 million credit facility.

At September 30, 2013, working capital was $13.2 million compared to $19.5 million at June 30, 2013. The change in current assets is consistent with the decrease in revenue from the second quarter to the third quarter of 2013 and faster collection of accounts receivable balances. The increase in current liabilities is due to the timing of payments at the end of the third quarter. Funds from operations for the three months ended September 30, 2013, increased to $10.0 million compared to $8.8 million for the three months ended June 30, 2013. Capital expenditures from continuing operations totaled $5.3 million for the three months ended September 30, 2013 and June 30, 2013, and were offset by $1.1 million and $6.4 million of rental asset sales during the same periods. Management used funds from operations and proceeds from Product Sales to repay $9.2 million of Strad's total facility borrowing during the third quarter of 2013. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad's capital program.

The Company's syndicated banking facility consists of an operating facility with a maximum principal amount of $15.0 million CAD and $10.0 million USD, and an $85.0 million revolving facility, both of which are subject to certain limitations on accounts receivable, inventory and net book value of fixed assets and are secured by a general security agreement over the Company's assets. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company's funded debt to EBITDA ratio. On July 18, 2013, the Company amended its syndicated credit facility, extending the maturity date from July 25, 2015 to July 25, 2016.

Based on the Company's funded debt to twelve month trailing EBITDA ratio of 1.2 to 1 at the end of the third quarter of 2013, 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 three months ended September 30, 2013, the overall effective rates on the operating facility and revolving facility were 4.36% and 3.51%, respectively. As of September 30, 2013, $4.1 million was drawn on the operating facility and $39.0 million was drawn on the revolving facility. Payments on the revolving facility are interest only.

As at September 30, 2013, the Company was in compliance with all of the syndicated banking facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at September 30, 2013, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4+ Years**
Finance leases	3,344	2,519	825	—
Operating leases	18,557	4,301	8,593	5,663
Total commitments	21,901	6,820	9,418	5,663

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

OUTSTANDING COMPANY SHARE DATA

	As of October 31, 2013
Common shares – voting	37,251,301
Options	2,341,334
Fully diluted common shares	39,592,635

OFF BALANCE SHEET ARRANGEMENTS

At September 30, 2013, 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.

	As at September 30, 2013	**As at December 31, 2012**
Opening balance	$ 1,845	$ 1,157
Share purchase loans issued	—	772
Repayment of share purchase loan	(381)	(101)
Interest charged	18	17
Interest paid	(30)	—
	1,452	1,845

Certain key management personnel and a director have loans totaling $1.5 million from the Company. Proceeds of the loans were used to purchase Common Shares in the Company. The loan balances are non-interest bearing for the first three years of the loan for employees who are officers of the Company.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at September 30, 2013, 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 derivative financial instruments. Of the Company's financial instruments, trade and notes receivable have exposure to 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 trade receivables 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 trade and notes receivable as minimal. Funds drawn under the syndicated banking facility bear interest at a floating interest rate. Therefore, to the extent that the Company borrows under this facility, the Company is at risk to rising interest rates.

The Company is exposed to the following additional risks:

Liquidity risk is the risk that the Company will not be able to meet financial obligations at the point at which they become due. Management's approach to managing risk includes utilizing detailed working capital, cash and capital expenditure forecasting and monthly budgeting to ensure liquidity is available when the financial obligations are due. Management's assessment of its liquidity reflects estimates, assumptions and judgments relating to current market conditions.

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's net earnings or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company is exposed to foreign exchange risk associated with its U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/U.S. exchange rates. The Company does not utilize derivative financial instruments with respect to foreign exchange. For the period ended September 30, 2013, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by $17 thousand (2012 - $21 thousand).

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 of the underlying assets. Useful lives are based on management's best estimate using knowledge of past transactions, and as such are subject to measurement uncertainty. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear and legal or other limits to use. It is possible that changes in these factors may cause changes in the estimated useful lives of the Company's property, plant and equipment in the future.

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

The Company tests annually, or when facts and circumstances indicate, whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units are determined using the greater of fair value less costs to sell and value-in-use. Fair value less costs to sell and value-in-use calculations require the use of estimates, assumptions and judgments. Value-in-use calculations require management to use assumptions regarding discount rates and estimated future cash flows. Fair value less costs to sell requires management to make judgments of fair value using market conditions as well as estimations of costs to sell.

Compensation costs accrued for long-term stock-based compensation plans are subject to their fair value estimation by using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

Inventory is to be carried at the lower of cost and net realizable value. Management's best estimate of net realizable value is the selling price prevailing in the market.

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

New standards adopted by the Company January 1, 2013:

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The adoption of this standard has not impacted the consolidation status of the Company's subsidiaries.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this standard has not had a material impact on the Company's financial statements.

IFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard has not had a material impact on the Company's financial statements. Additional disclosures on fair value measurement required by IFRS 13 have been disclosed in note 21.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer, have designed, or have caused to be designed under their supervision, the Company's disclosure controls and procedures to provide reasonable assurances that the information required to be disclosed by the Company in its filings or other reports submitted by it under securities legislation is in compliance with the time periods specified in the securities legislation. They are assisted in this responsibility by the Company's Management team. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company in its filings or other reports submitted by it under securities legislation is accumulated and communicated to the Company's Management to allow timely decisions regarding required disclosure.

As at December 31, 2012, an evaluation was carried out, under the supervision of the CEO and the CFO, of the effectiveness of the design and operation of Strad's disclosure controls and procedures as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings. Based on this evaluation, the CEO and CFO concluded that, as at December 31, 2012, Strad's disclosure controls and procedures, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, were effective.

Strad will continue to evaluate the disclosure controls and procedures with modifications being made when necessary. There were no changes in Strad's disclosure controls and procedures that occurred during the three months ended September 30, 2013, which have materially affected, or are reasonably likely to materially affect, Strad's disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

The Company's internal controls over financial reporting may not prevent or detect all errors, misstatements and fraud. The design of internal controls must also take into account resource constraints. A control system, including the Company's internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

During the nine months ended September 30, 2013, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to have materially affected the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The operations of Strad face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on the Company's financial condition and results of operations.

Risks in the Oil and Natural Gas Exploration and Production Industry

The oil and natural gas exploration and production industry in which the Company operates is highly volatile, and there can be no assurances that demand for the Company's services will be maintained at current levels.

The demand, pricing and terms of oil and natural gas services now and in the future largely depend upon the level of exploration, development and production activity for both crude oil and natural gas in the WCSB and in the United States. Oil and natural gas industry conditions are influenced by numerous factors over which the Company has no control, including oil and natural gas prices, expectations about future oil and natural gas prices, levels of consumer demand, the cost of exploring for, producing and delivering oil and natural gas, the expected rates of declining current production, the discovery rates of new oil and natural gas reserves, available pipeline and other oil and natural gas transportation capacity, weather conditions, political, regulatory and economic conditions, and the ability of oil and natural gas companies to raise equity capital or debt financing.

Competition

The Company competes with a number of companies, some of which have greater technical and financial resources. The market consists of a range of companies, large and small, public and private. There can be no assurance that competitors will not substantially increase the resources devoted to the development and marketing of services that compete with those of the Company, or that new or existing competitors will not enter the various markets in which the Company is active. In addition, reduced levels of activity in the oil and natural gas industry could intensify competition and the pressure on competitive pricing and may result in lower revenues or margins to the Company. The Company's customers may elect not to purchase its services if they view the Company's financial viability as unacceptable, which would cause the Company to lose customers.

Ongoing Capital Requirements

The Company's business strategy is based in part upon the continued expansion of the Company's ability to provide a range of oil and natural gas rental equipment and related services. In order to continue to implement its business strategy, the Company will be required to further its capital investment. The Company's ability to obtain financing or to access the capital markets for future offerings may be limited by the restrictive covenants and limits in the Company's current and future debt agreements, by the Company's future financial condition, and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties beyond the Company's control.

Seasonality of Oilfield Operations

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. While the Company's facilities are open and accessible year-round, spring breakup reduces the Company's activity levels in Canada.

Accounts Receivable

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to the risk of its customers delaying or failing to pay invoices. Risk of payment delays or failure to pay is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company's customers.

It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does not have significant exposure to any individual customer, other than one customer that accounted for 11% of revenue from continuing operations.

Environmental Legislation

The oil and natural gas industry is subject to environmental regulations pursuant to a variety of provincial, state and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and natural gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of government authorities. Compliance with such legislation can require significant expenditures by Strad's customers and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

For additional information that could affect the Company's business, see "Risk Factors" in the Company's AIF which is available on SEDAR at www.sedar.com.

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.

FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking statements. More particularly, this MD&A contains forward-looking statements concerning future capital expenditures of the Company, debt, dividends, demand for the Company's products and services, drilling activity in North America, pricing of the Company's products and services, introduction of new products and services, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity. These statements relate to future events or to the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

The use of any of the words "expect", "plan", "continue", "estimate", "anticipate", "potential", "targeting", "intend", "could", "might", "should", "believe", "may", "predict", or "will" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon.

Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. These factors include, but are not limited to, such things as the impact of general industry conditions, fluctuation of commodity prices, industry competition, availability of qualified personnel and management, stock market volatility and timely and cost effective access to sufficient capital from internal and external sources. The risks outlined above should not be construed as exhaustive. Although management of the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Accordingly, readers should not place undue reliance upon any of the forward-looking information set out in this MD&A. All of the forward-looking statements of the Company contained in this MD&A are expressly qualified, in their entirety, by this cautionary statement. The various risks to which the Company is exposed are described in this MD&A under the heading "Risk Factors" above and in additional detail in the Company's Annual Information Form ("AIF"). Except as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information or statements, whether the result of new information, future events or otherwise.

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 ("EBITDA") is not a recognized measure under IFRS. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed or how the results are taxed. EBITDA is calculated as net income from continuing operations plus interest, finance fees, taxes, depreciation and amortization, non-controlling interest, loss on disposal of property, plant and equipment, loss on foreign exchange, loss on assets held for sale, restructuring charges, impairment loss, less gain on foreign exchange and gain on disposal of property, plant and equipment. Segmented EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations, U.S. Operations, Product Sales and Corporate.

Funds from operations are cash flow from operating activities excluding changes in working capital and share-based payments. 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.

Annualized return on average total assets for the nine months ended September 30, 2013, is calculated as annualized year-to-date EBITDA divided by the average of total assets over the fourth quarter of 2012 and the first and second quarters of 2013, including a three month lag. The three month lag represents the time between the purchase of capital assets and when they are deployed in the field and earning revenue.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
Net income from continuing operations	2,373	2,937	3,449	10,832
Add:				
Depreciation and amortization	7,259	7,362	23,709	20,618
Loss on disposal of PP&E	162	22	824	46
Loss on disposal of assets held for sale	—	—	175	—
Non-controlling interest	—	22	—	355
Share-based payments	155	218	438	580
Deferred income tax (recovery)/expense	(808)	(528)	(1,561)	2,176
Financing fees	88	63	231	179
Interest expense	784	854	2,289	1,936
Funds from operations	10,013	10,950	29,554	36,722
Add:				
(Gain)/loss on foreign exchange	(63)	510	(202)	879
Current income tax expense/(recovery)	627	788	936	1,875
Subtotal	10,577	12,248	30,288	39,476
Deduct:				
Share-based payments	155	218	438	580
EBITDA	10,422	12,030	29,850	38,896

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

	Three months ended			
	September 30, 2013	**June 30, 2013**	**March 31, 2013**	**December 31, 2012**
Net income/(loss) from cont. operations	2,373	13	1,063	(3,490)
Add:				
Depreciation and amortization	7,259	8,824	7,626	7,667
Loss on disposal of PP&E	162	76	586	226
Loss on disposal of assets held for sale	—	17	158	—
(Gain)/loss on foreign exchange	(63)	(18)	(121)	(195)
Current income tax expense/ (recovery)	627	94	216	(13)
Deferred income tax (recovery)/ expense	(808)	(1,099)	345	(3,804)
Interest expense	784	791	714	739
Restructuring expense	—	—	—	4,129
Impairment loss	—	—	—	2,350
Finance fees	88	71	72	66
EBITDA	10,422	8,769	10,659	7,675
Communications operating loss	—	—	—	679
EBITDA (Adjusted)	10,422	8,769	10,659	8,354

	Three months ended			
	September 30, 2012	**June 30, 2012**	**March 31, 2012**	**December 31, 2011**
Net income from cont. operations	2,937	2,772	5,123	7,661
Add:				
Depreciation and amortization	7,362	7,003	6,253	5,713
Loss/(gain) on disposal of PP&E	22	(11)	35	(96)
Loss/(gain) on foreign exchange	510	(32)	401	52
Non-controlling interest	22	(187)	520	543
Current income tax expense/ (recovery)	788	(104)	1,191	1,177
Deferred income tax (recovery)/ expense	(528)	748	1,956	1,499
Interest expense	854	638	444	620
Finance fees	63	58	58	—
EBITDA	12,030	10,885	15,981	17,169
Communications operating loss	610	556	167	213
EBITDA (Adjusted)	12,640	11,441	16,148	17,382