MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("**MD&A**") was prepared as of May 11, 2011, and is intended to assist the reader understand the current and prospective financial position and operating results of Strad Energy Services Ltd. **("Strad" or the "Company"**). This MD&A discusses the operating and financial results for the three months ended March 31, 2011, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited interim Consolidated Financial Statements of Strad for the three months ended March 31, 2011, which were prepared in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, the Company prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles (**"GAAP"**). Strad's common shares trade on the Toronto Stock Exchange under the symbol "SDY".

Additional information relating to Strad for the three months ended March 31, 2011, may be found on the System for Electronic Document Analysis and Retrieval **("SEDAR"**) at www.sedar.com.

SELECTED FINANCIAL AND OPERATING HIGHLIGHTS

For the three months ended March 31,
($000's, except per share amounts)

	2011	**2010**
Revenue	44,608	33,458
EBITDA[(1)]	8,445	6,495
Per share ($), basic	0.23	0.32
Per share ($), diluted	0.23	0.32
Net Income	1,587	1,558
Per share ($), basic	0.04	0.08
Per share ($), diluted	0.04	0.08
Funds from Operations[(2)]	8,369	5,501
Per share ($), basic	0.23	0.27
Per share ($), diluted	0.23	0.27
Capital Expenditures[(3)]	31,766	6,572
Total assets	213,330	142,235
Long term debt[(4)]	13,000	17,711
Total long term liabilities	24,353	22,891
Common Shares – end of period ('000's)	37,246	20,149
Weighted average Common Shares		
basic	36,633	20,149
diluted	36,700	20,149

SEGMENTED INFORMATION

For the three months ended March 31,
($000's, except per share amounts)

($000's)	2011	2010
Drilling Services		
Revenue	26,782	17,404
EBITDA(1)	8,710	6,196
EBITDA %	32.5%	35.6%
Capital Expenditures(3)	31,779	6,342
Gross Capital Assets	114,327	53,238
Total Assets	151,234	79,414
Annualized Return on Average Total Assets %(5)	30.0%	30.4%
Production Services		
Revenue	17,826	16,054
EBITDA(1)	1,287	1,597
EBITDA %	7.2%	9.9%
Capital Expenditures(3)	15	137
Gross Capital Assets	15,777	15,111
Total Assets	61,134	61,274
Annualized Return on Average Total Assets %(5)	8.4%	9.8%
Corporate EBITDA(1)	(1,552)	(1,298)
Total EBITDA(1)	8,445	6,495

Notes:

(1) EBITDA is a non-GAAP measure. See "Non-GAAP Measures Reconciliation".
(2) Funds from operations is cash flow from operating activities before changes in working capital. Funds from operations is a non-GAAP measure. See "Non-GAAP Measures Reconciliation".
(3) Includes assets acquired under finance lease. Segmented information does not include capital expenditures for the corporate segment of Strad as they are minimal.
(4) Excluding current portion; includes long term portion of finance lease obligations.
(5) Annualized Return on average total assets is a non-GAAP measure. See "Non-GAAP Measures Reconciliation" on page 3.

FORWARD-LOOKING STATEMENTS

Certain information contained in management's discussion and analysis of the Company's financial condition and results of the Company's operations constitute forward-looking statements. 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" below 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 results of new information, future events or otherwise.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

NON-GAAP MEASURES RECONCILIATION

Certain supplementary measures in this MD&A do not have any standardized meaning as prescribed under IFRS and previous GAAP and, therefore, are considered non-GAAP measures. These measures are described and presented in order to provide shareholders and potential investors with additional information regarding the Company's financial results, liquidity and its ability to generate funds to finance its operations. These measures are identified and presented, where appropriate, together with reconciliations to the equivalent IFRS or previous GAAP measure. However, they should not be used as an alternative to IFRS or previous GAAP, because they may not be consistent with calculations of other companies. These measures are further explained below.

Earnings before interest, taxes, depreciation and amortization (**"EBITDA"**) is not a recognized measure under IFRS and previous GAAP. Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how those activities are financed or how the results are taxed. EBITDA is calculated as net income prior to interest, taxes, depreciation and amortization, non-controlling interest, (gain)/loss on disposal of property plant and equipment ("PP&E"), (gain)/loss on foreign exchange, impairment of goodwill, and accretion of convertible debentures. Segmented EBITDA is based upon the same calculation for defined business segments, which are comprised of Drilling Services, Production Services and Corporate.

Funds from operations are cash flow from operating activities excluding changes in working capital. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities. Working capital is used by Management to gauge what banking facilities are available for reinvestment in the business.

Annualized return on average total assets is calculated as annualized current period EBITDA divided by the average of total assets over the prior quarter. The three month lag represents the time between the purchase of capital assets and when they are deployed in the field and earning revenue.

Reconciliation of EBITDA and Funds from Operations

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

	Three Months Ended March 31, 2011 (unaudited)	Three Months Ended March 31, 2010 (unaudited)
Net income	1,587	1,558
Add:		
Depreciation and amortization	4,681	3,346
Gain on disposal of PP&E	(12)	(34)
Share-based payments	214	154
Non-controlling interest	543	214
Deferred income tax (recovery)	1,122	(198)
Interest expense	234	461
Funds from operations	8,369	5,501
Add:		
Loss on foreign exchange	270	129
Income tax expense	20	1,019
Subtotal	8,659	6,649
Deduct: Share-based payments	214	154
EBITDA	8,445	6,495

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

	Three months ended (unaudited)			
	Mar. 31, 2011	Dec. 31, 2010 (1)	Sept. 30, 2010 (1)	Jun. 30, 2010 (1)
Net income	1,587	2,579	2,323	852
Add:				
Depreciation and amortization	4,681	4,043	3,775	3,546
Accretion of Convertible Debenture	–	13	22	–
Gain on disposal of PP&E	(12)	(68)	–	(27)
(Gain)/Loss on foreign exchange	270	526	(195)	185
Non-controlling interest	543	76	445	(20)
Income tax expense/(recovery)	20	(522)	(1,455)	653
Deferred income tax expense/(recovery)	1,122	1,144	2,916	(393)
Interest expense	234	569	760	560
EBITDA	8,445	8,360	8,591	5,356

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

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

	Three months ended (unaudited)			
	Mar. 31, 2010 (1)	**Dec. 31, 2009 (1)**	**Sept. 30, 2009 (1)**	**Jun. 30, 2009 (1)**
Net income (loss)	1,558	(11,403)	(2,090)	(2,497)
Add:				
Depreciation and amortization	3,346	3,080	3,082	3,066
Impairment of goodwill	–	11,000	–	–
(Gain)/Loss on disposal of PP&E	(34)	90	(38)	(31)
(Gain)/Loss on foreign exchange	129	(245)	177	35
Non-controlling interest	214	–	–	–
Income tax expense/(recovery)	1,019	(15)	(608)	229
Deferred income tax recovery	(198)	(821)	(871)	(976)
Interest expense	461	424	434	394
EBITDA	6,495	2,110	86	220

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

OVERVIEW OF THE COMPANY

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

Strad has strategically diversified its operations through the addition of new products and services and through expansion into new geographic areas in North America. Products have exposure to conventional and unconventional oil, liquid rich natural gas and dry natural gas. Geographically, the Company has expanded its base beyond the Western Canadian Sedimentary Basin **("WCSB"**) into areas throughout the United States, namely the Marcellus in Pennsylvania, the Bakken in North Dakota, the Eagle Ford in Texas and various areas within the western United States Rockies such as the Niobrara. As of March 31, 2011, the Company has 30 operating locations throughout North America.

FIRST QUARTER 2011 HIGHLIGHTS

Highlights for the three months ended March 31, 2011, include:

- Record first quarter revenue and EBITDA. First quarter 2011 revenue of $44.6 million improved 33% over the first quarter of 2010. EBITDA of $8.4 million improved 30% over the first quarter of 2010;

- Annualized EBITDA return on average total Drilling Services assets for the three months ended March 31, 2011 of 30.0%;

- Deployment of $31.9 million in capital expenditures, the largest quarterly program in the Company's history;

- Successful development of new product offerings including solids control, composite matting and satellite communications rental equipment and services with $6.2 million spent on these initiatives in the first quarter. Field deployment is expected to occur in the second quarter.

The record revenue and EBITDA results for the three months ended March 31, 2011, are due to the successful deployment of Strad's 2010 and 2011 capital programs. Of the $66.5 million total planned capital expenditures for 2011, 48% has been spent at the end of this quarter. Strad's expanded rental equipment fleet has allowed the Company to proactively respond to rising industry activity created by improved oil and liquid rich natural gas pricing and the change in drilling technology facilitated by a higher proportion of horizontal wells. Horizontal wells generally require more rental equipment and take longer to drill than conventional vertical wells. Strad's commodity exposure is well balanced as it works with customers who explore and develop oil, liquid rich natural gas and dry natural gas. Management believes all of these activities have provided a basis for building long-term shareholder value.

RESULTS OF OPERATIONS

Consolidated Revenue

Consolidated revenue generated for the first quarter of 2011 increased 33% to $44.6 million compared to $33.5 million for the same period in 2010. Revenue for the three months ended March 31, 2011, was consistent with the fourth quarter of 2010. Increases in rental equipment utilization were offset by decreases in matting utilization. Matting applications are not required during winter as frozen terrain permits heavy equipment movement without mats in Canada.

Increased revenue is due to higher levels of industry activity throughout North America and an increased rental asset base for Strad. Expanded operations in the United States accounted for the majority of the increase.

Drilling Services

Revenues generated from the Company's Drilling Services segment for the three months ended March 31, 2011, increased 54% to $26.8 million versus $17.4 million for the three months ended March 31, 2010. Increases resulted primarily from additions to the rental asset fleet in both Canada and the United States. Revenue generated from the United States for the three months ended March 31, 2011 increased to $9.0 million or 157% from $3.5 million in the first quarter of 2010. Canadian Drilling Services revenue also improved; for the three months ended March 31, 2011 revenue of $17.8 million increased 28% as compared to revenue of $13.9 million for the three months ended March 31, 2010. The first quarter of 2010 Canadian Drilling Services revenue included an environmental access matting project not typical for the season, which increased revenue by $2.7 million.

Production Services

Production Services revenue improved 11% to $17.8 million for the three months ended March 31, 2011 compared to $16.1 million for the same time period in 2010. Revenue increased as the number of field technicians in the group increased 16% over March 31, 2010 but was negatively impacted by cold weather and wet field conditions preventing technicians from accessing customer sites. Industry conditions in the WCSB have not changed significantly over that of last year due to depressed natural gas prices.

Operating Expenses

Consolidated operating expenses increased 35% to $28.8 million for the three months ended March 31, 2011 from $21.3 million for the three months ended March 31, 2010. Operating expenses increased for the three month period ending March 31, 2011, consistent with increases in revenue for the same period.

Selling, General and Administrative

Selling, general and administrative (**"SG&A"**) expenses include salaries and other compensation and benefits for sales, office and administrative staff, professional fees, rent, information systems and communications and marketing for the Company. SG&A expenses increased 30.9% for the three months ended March 31, 2011 to $7.2 million from $5.5 million for the three months ended March 31, 2010 due to higher levels of Company activity and costs associated with being a publicly traded company. United States SG&A expenses have increased $1.1 million when compared to the first quarter of 2010 as a result of expansion of operations.

As a percentage of revenue, for the three months ended March 31, 2011 SG&A expenses were 16% compared to 17% for the three months ended March 31, 2010.

Stock based compensation was $0.2 million for the three months ended March 31, 2011 compared to $0.2 million in 2010.

EBITDA

Consolidated EBITDA for the three months ended March 31, 2011, of $8.4 million improved 30% as compared to $6.5 million for the three months ended March 31, 2010 for the reasons stated above. EBITDA as a percentage of revenue for the three months ended March 31, 2011 was 19% compared to 19% for the three months ended March 31, 2010. EBITDA as a percentage of revenue is consistent with the fourth quarter of 2010.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment and intangible assets was $4.7 million for the three months ended March 31, 2011 compared to $3.3 million for the three months ended March 31, 2010. Capital additions throughout 2010 and for the first three months in 2011 increased depreciation and amortization for the respective periods.

Interest

Interest totalled $0.2 million for the three months ended March 31, 2011, compared to $0.5 million for the three months ended March 31, 2010. The decrease of $0.3 million was due to lower debt balances quarter over quarter.

Impairment of Goodwill

The Company concluded there was no indication of impairment for the year ended December 31, 2010, as the estimated fair value exceeded the carrying value of the Company's operating segments to which goodwill is attributable. Therefore, no impairment was recorded in 2010.

Loss on Foreign Exchange

Loss on foreign exchange for the three months ended March 31, 2011, was $0.3 million compared to a loss of $0.1 million for the same period in 2010. The Company is exposed to foreign currency risk as certain balances within working capital may fluctuate due to changing Canada/United States exchange rates. The Company has increased its exposure to the United States currency as operations in the United States have increased year over year. The exchange rate as of March 31, 2011, was $1.03 compared to 98.46 cents as of March 31, 2010.

Income Taxes

For the three months ended March 31, 2011, the Company recorded income before income taxes and non-controlling interest of $3.3 million. The future income tax expense or recovery represents timing differences and the tax effect of rate changes. The anticipated amount and timing of expense or recovery of future taxes will be dependent upon the Company's actual results, and the actual acquisition and disposition of assets and liabilities.

Non-Controlling Interest

For the three months ended March 31, 2011, non-controlling interest of $0.5 million was recorded compared to $0.2 million in the prior year period. Non-controlling interest exists in less than wholly-owned subsidiaries of the Company and earnings or losses of the subsidiaries are included in the Company's net income and adjusted to reflect the portion attributable to the non-controlling interest.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results for the three months ended March 31, 2011 and for the years 2010 and 2009.

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Mar. 31, 2011	**Dec. 31, 2010**	**Sept. 30, 2010**	**Jun. 30, 2010**
Revenue	44,608	44,949	41,615	33,610
EBITDA(1) (2)	8,445	8,360	8,591	5,356
Net income (2)	1,587	2,579	2,323	852
Per share ($), basic	0.04	0.10	0.12	0.04
Per share ($), diluted	0.04	0.09	0.10	0.04

Summary of quarterly results
($000's)

	Three months ended (unaudited)			
	Mar. 31, 2010	**Dec. 31, 2009**	**Sept. 30, 2009**	**Jun. 30, 2009**
Revenue	33,458	20,468	14,426	15,760
EBITDA(1) (2)	6,495	2,110	86	220
Net income (loss) (2)	1,558	(11,403)	(2,090)	(2,497)
Per share ($), basic and diluted	0.08	(0.57)	(0.10)	(0.12)

Notes:
(1) EBITDA is a non-GAAP measure. See "Non-GAAP Measures Reconciliation".
(2) 2010 EBITDA and net income amounts are presented in accordance with IFRS. 2009 EBITDA and net income are presented in accordance with previous GAAP.

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations to a point where the United States operation now contains 32% of the consolidated net assets at March 31, 2011, compared to 7% as of March 31, 2010. The United States does not normally experience the same slow down in activity in the second quarter as the WCSB. Therefore management expects second quarter seasonal decreases to be marginalized.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2011, Strad's principal sources of liquidity include working capital of $17.6 million, a revolving demand facility of $20.0 million of which $13.3 million is drawn, a 364-day revolving capital expenditure facility of $19.0 million of which $11.0 million is drawn and a lease facility of $10.0 million of which $5.5 million is drawn as of March 31, 2011.

<u>Working Capital</u>

The net working capital position of Strad at March 31, 2011, was $17.6 million, an increase from the working capital position of March 31, 2010 by $14.7 million.

Current assets at March 31, 2011, were $64.2 million, an increase of $19.1 million from March 31, 2010. The increase is as a result of an increase in accounts receivable of $20.0 million due to higher revenue in the year.

Current liabilities at March 31, 2011, were $46.6 million, an increase of $4.4 million from March 31, 2010. The increase was as a result of a $7.0 million increase in accounts payable balances due to higher levels of industry activity, an increase in deferred revenue of $3.0 million due to the timing of sales transactions, offset by a $0.9

million decrease in the current portion of finance lease obligations, a $1.6 million pay down on the Company's operating facility, and pay down of $2.1 million of current portion of long-term debt.

Indebtedness

The Company's bank indebtedness consists of a revolving demand facility with a maximum principal amount of $20.0 million subject to certain limitations on accounts receivable and inventory and is secured by a general security agreement over the Company's assets. The operating loan bears interest at bank prime plus 1.75% on prime rate advances and at the prevailing rate plus a stamping fee of 3.00% on bankers' acceptances. For the three months ended March 31, 2011, the overall effective rate on the operating loan was 4.51%. As of March 31, 2011, $13.3 million was drawn.

The Company has a $19.0 million 364-day revolving bank facility (the "Bank Facility") which can be demanded on June 30, 2011, at which time one third of the balance would be repaid over the ensuing 12 month period with the remaining two thirds of the balance due immediately thereafter. The Bank Facility is subject to certain borrowing restrictions backed by the net book value of the Company's fixed assets. Monthly payments are interest only and the Bank Facility is secured by a general security agreement over the Company's assets. The Bank Facility bears interest at bank prime plus 2.25% on prime rate advances and at the prevailing rate plus a stamping fee of 3.75% on bankers' acceptances. For the three months ended March 31, 2011, the overall effective rate on the revolving loan was 4.62%. As of March 31, 2011, $11.0 million was drawn.

As at December 31, 2010, the Company was in compliance with all of the bank facility covenants.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations as at March 31, 2011, were as follows:

($000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4-5 Years**
Finance Leases	9,491	4,351	5,123	17
Operating leases	8,259	2,756	3,623	1,880
Total Commitments	17,750	7,107	8,746	1,897

All of the Company's contractual obligations range from less than one year to five years. The most significant are the finance lease commitments for a total of $9.5 million.

OUTSTANDING COMPANY SHARE DATA

	As of April 30, 2011 *(unaudited)*
Common shares – voting	37,246,384
Options	2,393,333
Fully diluted Common Shares	39,639,717

OFF BALANCE SHEET ARRANGEMENTS

At March 31, 2011, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Certain employees have loans totalling $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 employees who are not officers of the Company and are non interest bearing for the first three years of the loan for employees who are officers of the Company.

OUTLOOK AND BUSINESS IMPACT OF CURRENT ECONOMIC AND INDUSTRY CONDITIONS

Industry conditions to date in 2011 have been positive. All indications point toward this trend continuing through to the end of this year and into 2012. Higher oil and liquids rich natural gas prices driven by political instability in the Middle East and strong global demand from improved economic activity has boosted exploration and development activity throughout North America. Weak natural gas pricing is dampening activity in some areas of North America but has had limited overall impact. In the WCSB, drilling utilization of 74% for the first quarter of 2011 has increased to its highest level since the first quarter of 2006 and was 24% more than the first quarter of 2010; well permits for the first quarter of 2011 increased 30% over the first quarter of 2010; and meters drilled in the first quarter of 2011 increased 16.5% over that of the first quarter of 2010. In the United States, land rig counts have stayed consistent with that of December 2010 and increased 24% over the first quarter of 2010. The shift to oil is prevalent throughout North America. In Canada, 70% of wells being drilled are oil related and in the United States approximately 50% are directed towards oil. Horizontal drilling and multi-stage fracking are being utilized more often to exploit both unconventional resource plays and mature conventional plays. Horizontal rig activity makes up 57% of United States rig activity compared to 51% in 2010 while in Canada it is estimated 44% of wells drilled are horizontal compared to 42% in 2010 and 29% from 2009. Horizontal techniques require more advanced planning and equipment on the well site which management believes is positive for Strad.

The Company's improved revenue and EBITDA for the three months ended March 31, 2011, reflects the increased asset base that was added in 2010. The results also reflect the improved industry activity throughout North America. First quarter consolidated revenue and EBITDA are consistent with the fourth quarter of 2010 and have met management's expectations. Return on assets of Strad continues to out-perform with strong utilization of equipment during Q4 and Q1. New product initiatives such as solids control, satellite communications equipment and composite mats made up $6.2 million of capital expenditures in the first quarter. These products are expected to be deployed and generating revenue in the second quarter of 2011. The new products and services enhance the technical component of products the Company offers to its customers and helps to further diversify its product suite. Strad expects the high standards of safety and environmental stewardship to continue to be a serious concern for customers, particularly in the high profile new resource plays. These higher standards have created a trend to single source, full service vendors like Strad.

New capital will continue to be allocated in the coming months. The Company normally experiences a three month lag between the date of expenditures and the date that assets are deployed in the field and generating revenue. The lag is due to internal preparation to ready the equipment for customer use. During the first quarter, $24.0 million or 75% of the capital expenditures occurred in February and March and are not expected to generate revenue until the second quarter.

The Company's growing United States business is stabilizing seasonal impacts for its rental equipment operations. The typical decline experienced by Canadian oilfield service providers in the second quarter due to wet field conditions and road bans is increasingly minimized for Strad as growth in the United States continues. The impact of spring break up is not as disruptive for operations based in the United States. Approximately 75% of the $31.9 million of capital expenditures for the three months ended March 31, 2011, have been placed in the United States. Total net assets based in the United States now comprise 45% of total Drilling Services net assets compared to 12% at the end of the first quarter of 2010. The Company expects a greater proportion of revenue and EBITDA will therefore be generated from the United States as the year progresses eliminating much of the decrease normally experienced in the second quarter by Canadian based companies.

The Company's product mix also helps to minimize the impact of the traditional decrease in second quarter Canadian activity. The wet field conditions create demand for the Company's matting products which helps to mitigate decreased utilization of drilling equipment products. The Company is expecting strong utilization of matting in the second quarter of 2011 given the high levels of precipitation during the winter and spring. Access matting requirements are typically nominal in the first quarter of the year in Canada.

The positive industry conditions continue to provide many organic opportunities. Strad's disciplined process of allocating capital based on four key strategies (customer, resource play, contract and economic return) encourages optimal deployment of capital. Strad is cognizant that a strong balance sheet is also part of being a successful company over the long term. The funds raised last November through the initial public offering plus operational cash flow have provided the funding to undertake the 2011 capital program and maintain a strong balance sheet. At March 31, 2011, the funded debt to EBITDA ratio was 1.0.

FINANCIAL INSTRUMENTS

All of the Company's financial instruments as at March 31, 2011, relate to standard working capital and credit facility items. There are no significant differences between the carrying value of these financial instruments and their estimated fair values. There are no unusual off-balance sheet arrangements and the Company does not use any financial instruments such as derivatives. Of the Company's financial instruments, only accounts receivable represent credit risk. The Company provides credit to its customers in the normal course of operations. The Company's credit risk policy includes performing credit evaluations of its customers. Substantially all of the Company's accounts receivable are due from companies in the oil and natural gas industry and are subject to the normal industry credit risk. Management views the credit risk related to accounts receivable as minimal. Funds drawn under the credit facility bear interest at a floating interest rate. Therefore, to the extent that the Company borrows under this facility, the Company is at risk to rising interest rates.

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

CRITICAL ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards

The Company has prepared its March 31, 2011, Interim Consolidated Financial Statements in accordance with IFRS 1, First-time Adoption of International Reporting Standards, and with IAS 34, Interim Financial Reporting, as issued by the IASB. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The adoption of IFRS has not had a material impact on the Company's operations, strategic decisions, cash flow and capital expenditures.

The Company's IFRS accounting policies are provided in Note 3 to the Interim Consolidated Financial Statements. In addition, Note 4 to the Interim Consolidated Financial Statements presents reconciliations between the Company's 2010 previous GAAP results and the 2010 IFRS results. The reconciliations include a reconciliation of retained earnings and equity as of January 1, 2010, March 31, 2010, and December 31, 2010, and a reconciliation of comprehensive income and other comprehensive income for the three months ended March 31, 2010, and the twelve months ended December 31, 2010.

The following provides summary reconciliations of Strad's 2010 previous GAAP and IFRS results along with a discussion of the significant IFRS accounting policy changes.

Deficit **($000's)**	**Dec 31, 2010** $	**Mar 31, 2010** $	**Jan 1, 2010** $
Deficit as reported under Canadian GAAP	(17,655)	(23,416)	(25,046)
IFRS adjustments increase (decrease)			
Share-based payments	(863)	(590)	(498)
Foreign currency translation	71	-	-
Deferred tax	212	20	-
Deficit as reported under IFRS	(18,235)	(23,986)	(25,544)

Equity ($000's)	Dec 31, 2010 $	Mar 31, 2010 $	Jan 1, 2010 $
Equity as reported under Canadian GAAP	141,725	77,150	75,244
IFRS adjustments increase (decrease)			
Foreign currency translation	(1,053)	-	-
Deferred tax	212	20	-
Equity as reported under IFRS	140,884	77,170	75,244

Comprehensive income ($000's)	Year ended Dec 31, 2010 $	Three months ended Mar 31, 2010 $
As reported under Canadian GAAP	7,391	1,630
Increase (decrease) in net income for:		
Foreign currency translation	74	-
Deferred tax	212	20
Share-based payments amortization	(365)	(92)
	7,312	1,558
Increase (decrease) in other comprehensive income for:		
Foreign currency translation	(924)	-
	(924)	-
As reported under IFRS	6,388	1,558

Accounting Policy Changes

The following discussion explains the significant differences between Strad's previous GAAP accounting policies and those applied by the Company under IFRS. IFRS policies have been retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

Share-based payments

Under previous GAAP, as a private company, Strad accounted for its stock-based compensation plans whereby the fair market value of option grants was determined using a volatility rate of 0% and an estimated forfeiture rate of 0% in the Black-Scholes pricing model.

IFRS does not provide for alternate accounting policies for private companies and requires the use of a volatility rate based on actual company trading history or the average of the volatility rates of its closest related peer group as well as the application of an estimated forfeiture rate. Accordingly, upon transition to IFRS, the Company recorded an adjustment of $0.5 million to increase contributed surplus to recognize the increase in share-based payments expense with the offset charged to deficit. The Company elected to use the IFRS 1 exemption whereby the share-based payment expense for options that had vested prior to January 1, 2010, were not required to be retrospectively restated. The application of IFRS for share-based payments resulted in a $0.4 million, net of tax, decrease to the Company's previous GAAP net income for the twelve months ended December 31, 2010. Therefore, the total impact to deficit at December 31, 2010, was an increase of $0.9 million.

Foreign currency

Under previous GAAP, the functional currency for the Company's US subsidiary was determined to be the Canadian ("CDN") dollar, consistent with the parent's functional currency. Under IFRS, it was determined the functional currency of the Company's US subsidiary changed from the CDN dollar to the USD dollar in the third quarter of 2010 when revenue generated by the US subsidiary increased substantially as a percentage of total consolidated revenue. The change in functional currency resulted in a decrease in property, plant and equipment of $1.3 million, a decrease in prepaid expenses of $41 thousand, a decrease in non-controlling interest of $0.2 million, a decrease in accumulated other comprehensive income of $0.9 million, net of tax, and a decrease in deficit of $0.3 million.

Intangible assets

Under previous GAAP, computer software was included as a part of property, plant and equipment. Under IFRS, computer software which is not an integral part of computer hardware is recorded as intangible assets instead of property, plant and equipment. Accordingly, upon transition to IFRS, the Company reclassified $0.2 million of computer software to intangible assets at January 1, 2010 and $0.3 million at December 31, 2010.

Income Taxes

Deferred income taxes have been adjusted to reflect the tax effect arising from the differences between IFRS and previous GAAP. There were no changes to deferred tax upon transition to IFRS besides a reclass between current and long-term as noted below. For the twelve months ended December 31, 2010, the application of the IFRS adjustments discussed above resulted in a $0.3 million decrease in other comprehensive loss and a $0.2 million decrease to the Company's deferred income tax expense and a corresponding increase to Strad's previous GAAP net income.

Under IFRS, all deferred tax assets and liabilities are required to be classed as long-term. Therefore, upon transition, an adjustment was made to reclassify the deferred tax asset of $2.4 million from current to long-term assets at January 1, 2010 and $0.7 million at December 31, 2010.

Impairment

Strad is required to apply the standards under IAS 36 Impairment of Assets on the January 1, 2010 transition date. Under Canadian GAAP, goodwill is tested for impairment at least annually by comparing the carrying value of goodwill at the reporting unit level compared to its fair value which aggregate into its two operating segments. Under IFRS, goodwill is tested for impairment at the cash-generating unit ("CGU") level. No goodwill or asset impairment was recognized in income in the year due to the transition to IFRS.

Other exemptions

Besides the exemptions mentioned above, Strad has also taken the following exemption under IFRS 1 at January 1, 2010:

- Business combinations entered into prior to January 1, 2010, were not retrospectively restated under IFRS.

Future accounting pronouncements

All accounting standards effective for periods beginning on or after January 1, 2011, have been adopted as part of the transition to IFRS. The following new IFRS pronouncements have been issued but are not effective and may have an impact on the Company:

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9"), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. The updated guidance includes classification and measurement of financial liabilities and de-recognition of financial instruments. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make judgements, assumptions and estimates in applying its accounting policies and practices, which have a significant impact on the financial results of the Company. The preceding discussion outlines the Company's significant accounting policies and practices adopted under IFRS. 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. Accordingly, the impact in the consolidated financial statements of future periods could be material.

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 CGUs is subject to Management's judgement.

Compensation costs accrued for long-term stock-based compensation plans are subject to the estimation of what the ultimate payout will be 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, which is higher than cost.

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.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company will have to certify on a quarterly and annual basis, effective March 31, 2011, that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design ICFR is the Internal Control – Integrated Framework (**"COSO Framework"**) published, by the Committee of Sponsoring Organizations of the Treadway Commission (**"COSO"**).

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

During the three months ended March 31, 2011, there have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to have materially affected the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

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

Risks in the Oil and Natural Gas Exploration and Production Industry

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

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

Competition

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

Ongoing Capital Requirements

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

Seasonality of Oilfield Operations

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

Accounts Receivable

A substantial portion of the Company's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be affected by fluctuations in oil and natural gas prices. Customers are generally invoiced for our services in arrears. As a result, the Company is subject to its customers delaying or failing to pay invoices. Risk of payment delays or failure to pay is increased during periods of weak economic conditions due to potential reduction in cash flow and access to capital of the Company's customers. It is not uncommon for the Company to have receivables in excess of 90 days and in such event the Company will take all reasonable steps to collect such receivables. The Company does not have significant exposure to any individual customer.

Environmental Legislation

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

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