Strad Energy Services Ltd.

Unaudited Interim Consolidated Financial Statements

As at and for the three months ended March 31, 2011

Strad Energy Services Ltd.

Consolidated Statement of Financial Position

(Unaudited)

(in thousands of Canadian dollars)	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Assets			
Current assets			
Cash and cash equivalents	-	8,416	-
Accounts receivable	47,205	41,700	18,547
Inventories	14,712	15,171	17,935
Prepaid expenses and deposits	2,208	2,887	981
Other current assets	64	241	195
	64,189	68,415	37,658
Non-current assets			
Property, plant and equipment (note 6)	97,094	70,128	40,810
Intangible assets (note 7)	10,745	11,446	14,856
Goodwill	36,004	36,004	36,004
Deferred income taxes	5,298	5,475	2,447
Total assets	213,330	191,468	131,775
Liabilities			
Current liabilities			
Bank indebtedness (note 8)	13,345	-	13,249
Accounts payable and accrued liabilities	23,374	26,755	13,081
Current portion of long-term debt (note 9)	2,750	-	3,587
Deferred revenue	3,094	3,387	119
Current portion of obligations under finance lease (note 10)	3,988	4,662	3,957
Income taxes payable	56	36	-
	46,607	34,840	33,993
Non-current liabilities			
Long-term debt (note 9)	8,250	-	11,214
Obligations under finance lease (note 10)	4,750	5,282	5,765
Deferred income tax liabilities	11,353	10,462	5,281
Other long-term liabilities	-	-	278
Total liabilities	70,960	50,584	56,531
Equity			
Equity attributable to owners of the parent			
Share capital (note 11)	157,009	157,071	99,091
Contributed surplus	2,435	2,221	1,661
Accumulated other comprehensive loss	(1,640)	(924)	-
Deficit	(16,648)	(18,235)	(25,544)
	141,156	140,133	75,208
Non-controlling interests	1,214	751	36
Total equity	142,370	140,884	75,244
Total liabilities and equity	213,330	191,468	131,775

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

Strad Energy Services Ltd.

Consolidated Statement of Income

For the three months ended March 31, 2011 and 2010

(Unaudited)

(in thousands of Canadian dollars)

	2011	**2010**
	$	$
Revenue	44,608	33,458
Expenses		
Operating expenses	28,786	21,260
Depreciation	3,835	2,425
Amortization of intangible assets	846	921
General administration	7,163	5,549
Share-based payments	214	154
Other gain (net)	(12)	(34)
Foreign exchange loss	270	129
Net interest expense	234	461
Income before income tax	3,272	2,593
Income tax (note 12)	1,142	821
Net income for the period	2,130	1,772
Net income attributable to:		
Owners of the parent	1,587	1,558
Non-controlling interests	543	214
	2,130	1,772
Earnings per share:	$ 0.04	$0.08
Basic	$0.04	$0.08
Diluted		

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

Strad Energy Services Ltd.

Consolidated Statement of Comprehensive Income
For the three months ended March 31, 2011 and 2010
(Unaudited)

(in thousands of Canadian dollars)

	2011 $	2010 $
Net income for the period	2,130	1,772
Other comprehensive loss		
Cumulative translation adjustment	(796)	-
Total other comprehensive loss	(796)	-
Comprehensive income for the period	1,334	1,772
Comprehensive income attributable to:		
Owners of the parent	871	1,558
Non-controlling interests	463	214
	1,334	1,772

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

Strad Energy Services Ltd.

Consolidated Statement of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to equity owners of the Company						
	Share capital $	Contributed surplus $	Accumulated other comprehensive loss $	Deficit $	Total $	Non-controlling Interest $	Total equity $
Balance – January 1, 2011	157,071	2,221	(924)	(18,235)	140,133	751	140,884
Net income for the period	-	-	-	1,587	1,587	543	2,130
Other comprehensive loss (net of tax)):							
Cumulative translation adjustment	-	-	(716)	-	(716)	(80)	(796)
Comprehensive income (loss) for the period	-	-	(716)	1,587	871	463	1,334
Share issuance costs	(62)	-	-	-	(62)	-	(62)
Employee share options:							
Value of services recognized	-	214	-	-	214	-	214
Balance – March 31, 2011	157,009	2,435	(1,640)	(16,648)	141,156	1,214	142,370
Balance – January 1, 2010	99,091	1,661	-	(25,544)	75,208	36	75,244
Net income for the period	-	-	-	1,558	1,558	214	1,772
Comprehensive income (loss) for the period	-	-	-	1,558	1,558	214	1,772
Employee share options:							
Value of services recognized	-	154	-	-	154	-	154
Balance – March 31, 2010	99,091	1,815	-	(23,986)	76,920	250	77,170

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

Strad Energy Services Ltd.

Consolidated Statement of Cash Flow

For the three months ended March 31, 2011 and 2010

(Unaudited)

(in thousands of Canadian dollars)

	2011 $	2010 $
Cash flow provided by (used in)		
Operating Activities		
Net income for the period	2,130	1,772
Adjustments for:		
Depreciation and amortization	4,681	3,346
Deferred income tax	1,122	(198)
Share-based payments	214	154
Net interest expense	234	461
Other	(12)	(34)
Changes in items of non-cash working capital:		
Accounts receivable	(5,505)	(8,644)
Inventories	459	1,817
Prepaid expenses	679	(595)
Accounts payable and accrued liabilities	(3,381)	3,359
Other current liabilities	(98)	758
Net cash generated from operating activities	523	2,196
Investing activities		
Purchase of property, plant and equipment	(31,118)	(6,216)
Proceeds from sale of property, plant and equipment	152	222
Purchase of intangible assets	(135)	(11)
Net cash generated from investing activities	(31,101)	(6,005)
Financing activities		
Change in bank indebtedness	13,345	1,643
Proceeds on issuance of debt	11,000	2,000
Repayment of debt	-	(480)
Share issue costs	(62)	-
Repayment of finance lease obligations (net)	(1,854)	1,107
Interest paid on debt	(234)	(461)
Net cash generated in financing activities	22,195	3,809
Effect of exchange rate changes on cash and cash equivalents	(33)	-
Increase (decrease) in cash and cash equivalents	(8,416)	-
Cash and cash equivalents – Beginning of period	8,416	-
Cash and cash equivalents – End of period	-	-
Cash paid for income tax	-	-

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

(in thousands of Canadian dollars)

1 General information

Strad Energy Services Ltd., (the "Company") is an energy services provider engaged in providing support equipment and services to oil and gas exploration and production companies in Canada and the United States.

The Company is a publicly listed company incorporated in Canada under the legislation of the Province of Alberta. The condensed consolidated financial statements of the Company as at and for the period ended March 31, 2011, comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The head office, principal address and records office of the Company are located at 441 5th Ave SW, Suite 600, Calgary, Alberta, Canada, T2P 2V1.

These condensed interim Consolidated Financial Statements were approved and authorized for issuance by the Board of Directors ("the Board") on May 11, 2011.

2 Basis of preparaion and adoption of IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed interim consolidated financial statements. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 4, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010, and throughout all periods presented, as if these policies had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those in the Company's consolidated financial statements for the year end December 31, 2010.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of May 11, 2011, the date the Board approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

The condensed interim consolidated financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 5 discloses IFRS information for the year ended December 31, 2010 that is material to an understanding of these interim consolidated financial statements.

(in thousands of Canadian dollars)

3 Significant accounting policies

The significant accounting policies used in the preparation of these consolidated interim financial statements are described below.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention.

Consolidation

The financial statements of the Company consolidate the accounts of the Company and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries are those entities (including special purpose entities) which the Company controls by having the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Foreign currency translation

(i) Functional and presentation currency

The Company's presentation currency is the Canadian dollar ("$"). The functional currencies of Strad Energy Services Ltd. and its US subsidiaries are the Canadian Dollar and US Dollar ("USD"), respectively. These consolidated financial statements have been translated to the CDN dollar in accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates. This standard requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). Subsequent to the adoption of IFRS, all resulting translation differences are recognized in other comprehensive income as "Cumulative Translation Adjustment".

(in thousands of Canadian dollars)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities are recognized in the statement of income.

Significant accounting estimates and judgments

The timely preparation of the interim consolidated financial statements requires that Management make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the period. Such estimates primarily relate to unsettled transactions and events as at the date of the interim consolidated financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments made by Management in the preparation of these interim consolidated financial statements are outlined below.

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.

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.

Provisions and contingencies

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required and a reliable estimate can be made of the amount of the obligation. Provisions are measured based on the discounted expected future cash outflows.

(in thousands of Canadian dollars)

When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the Consolidated Financial Statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the Consolidated Financial Statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

All financial instruments are measured at fair value upon initial recognition of the transaction and measurement in subsequent periods is dependent on whether the instrument is classified as “fair value through profit and loss”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “financial liabilities measured at amortized cost”.

Financial instruments classified as “fair value through profit and loss” are subsequently re-valued to fair market value with changes in the fair value being recognized into earnings; financial instruments classified as “available-for-sale” are subsequently re-valued to fair market value with changes in the fair value being recognized to other comprehensive income and financial instruments designated as “held-to-maturity”, “loans and receivables”, and “financial liabilities measured at amortized cost” are valued at amortized cost using the effective interest method of amortization.

Fair values

The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt and finance lease obligations. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Impairment of financial assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(in thousands of Canadian dollars)

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of income during the period in which they are incurred.

The major categories of property, plant and equipment are depreciated on a straight-line basis as follows:

Building	20 years
Automotive equipment	5 years
Furniture and fixtures	5 years
Computer hardware	3 years
Tools and equipment	3 – 10 years
Leasehold improvements	Length of current lease
Rental equipment	3 – 15 years

The Company allocates the amount initially recognized in respect of an item of property, plant and equipment to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of income.

Identifiable intangible assets

The Company's intangible assets include patented technology, customer relationships, non-competition covenants and computer software with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the statement of income over the period of their expected useful lives as follows:

Customer relationships	5 – 10 years
Patent	10 years
Technology asset	10 years
Non-competition covenants	3 – 6 years
Computer software	3 years

(in thousands of Canadian dollars)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, depreciation on property, plant and equipment, amortization of intangible assets, and related production overhead costs. Net realizable value is the estimated selling price less applicable selling expenses.

Goodwill

Upon acquisition, goodwill is attributed to the applicable cash-generating unit or aggregate cash-generating units that are expected to benefit from the business combination's synergies. Goodwill is attributed to the aggregated cash-generating units that collectively form the respective Drilling Services and Production Services Divisions. This represents the lowest level that goodwill is monitored for internal management purposes. Subsequent measurement of goodwill is at cost less any accumulated impairments.

Goodwill, which is calculated as the aggregate of the consideration transferred, the amount of any non-controlling interest, and the fair value of any previously held interest less the fair value of the net assets acquired, is not amortized. Rather, goodwill is tested for impairment at least annually and any resulting impairment loss is recognized in income in the year that it is identified. The recoverable amounts are determined annually based on the greater of its fair value less costs to sell or value in use. Fair value less costs to sell is derived by estimating the discounted after-tax future net cash flows for the aggregated cash-generating units. Discounted future net cash flows are based on forecasted revenues and expenses over the expected economic life of the underlying revenue generating assets and discounted using market rates. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or cash-generating unit.

Impairment of non-financial assets

The carrying value of long-term assets, excluding goodwill, is reviewed quarterly for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash-generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net income.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and its value in use. Fair value is determined to be the amount for which the asset could be sold for in an arm's length transaction.

Reversals of impairments are recognized when the indicators that an impairment loss recognized in prior periods may no longer exist, or may have decreased. In this event, the carrying amount of the asset or cash-generating unit is increased to its revised recoverable amount with an impairment reversal recognized in net earnings. The recoverable amount is limited to the original carrying amount less

(in thousands of Canadian dollars)

depreciation and amortization as if no impairment had been recognized for the asset or cash-generating unit for prior periods.

Share-based payments

The Company grants stock options to certain directors, officers and employees. The Company has two option plans. The new plan approved in 2010 includes options which vest over three years and expire after five years. The previous plan includes options which vest over four years and expire after six years. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period based on the number of awards expected to vest, by increasing contributed surplus.

Leases

Leases or other arrangements entered into for the use of an asset are classified as either finance or operating leases. Finance leases transfer to the Company substantially all of the risks and rewards incidental to ownership of the leased asset. Finance leases are capitalized at the commencement of the lease terms measured as the present value of the minimum lease payments. Capitalized leased assets are amortized over the estimated useful life of the assets and the obligations under finance leases are reduced by principal payments. All other leases are classified as operating leases and the payments are recorded as an expense.

Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period.

In general, all deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred income tax assets and liabilities are presented as non-current.

(in thousands of Canadian dollars)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Revenue

(i) Services and rental:

The Group's services and rental equipment are generally sold based upon service orders or contracts with customers that include fixed or determinable prices based upon daily, hourly or job rates. Revenue is recognized when the service has been provided in accordance with the agreed arrangement, the rate is fixed and determinable, and the collection of the amounts billed to the customer is considered probable. Contract terms do not include a provision for significant post-service delivery obligations.

(ii) Sale of goods:

Revenue is recognized when it is probable that the economic benefits will flow to the Company and delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured. These criteria are generally met at the time the product is shipped and delivered to the customer and, depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained.

(iii) Contract:

When the outcome of individual contracts can be estimated reliably, contract revenue and contract expenses are recognized as revenue and expenses respectively by reference to the stage of completion at the reporting date. This is measured by surveys of work performed to date. Full provision is made for all known expected losses on individual contracts once such losses are foreseen.

Cost of sales

Cost of sales includes costs related to shipping, direct salaries and wages, repairs & maintenance, and the cost of finished goods inventory.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

(in thousands of Canadian dollars)

Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the net income (loss) for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period.

Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, is computed using the treasury stock method. The Company’s potentially dilutive common shares comprise stock options granted to directors, officers, and employees.

Accounting standards issued but not yet applied

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.

4 Transition to IFRS

As disclosed in note 2, these interim consolidated financial statements represent the Company’s initial presentation of the financial results of operations and financial position under IFRS for the period ended March 31, 2011, in conjunction with the Company’s annual audited consolidated financial statements to be issued under IFRS as at and for the year ended December 31, 2011.

IFRS 1 requires the presentation of comparative information as at the January 1, 2010, transition date and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters to alleviate the retrospective application of all IFRS standards.

The following reconciliations present the adjustments made to the Company’s previous GAAP financial results of operations and financial position to comply with IFRS 1. A summary of the significant accounting policy changes and applicable exemptions are discussed following the reconciliations.

(in thousands of Canadian dollars)

(i) Reconciliation of deficit, equity and comprehensive income as previously reported under Canadian GAAP to IFRS

Deficit		**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)	**4(ii)**			
Share based payments	(a)	(863)	(590)	(498)
Foreign currency translation	(b)	71	-	-
Deferred tax	(c)	212	20	-
Deficit as reported under IFRS		(18,235)	(23,986)	(25,544)

Equity		**Dec 31, 2010** $	**Mar 31, 2010** $	**Jan 1, 2010** $
Equity as reported under Canadian GAAP [1]		141,725	77,150	75,244
IFRS adjustments increase (decrease)	**4(ii)**			
Foreign currency translation	(b)	(1,053)	-	-
Deferred tax	(c)	212	20	-
Equity as reported under IFRS		140,884	77,170	75,244

Comprehensive income		**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:	**4(ii)**		
Foreign currency translation	(b)	74	-
Deferred tax	(c)	212	20
Share-based payments amortization	(a)	(365)	(92)
		7,312	1,558
Increase (decrease) in other comprehensive income for:			
Foreign currency translation	(b)	(924)	-
		(924)	-
As reported under IFRS		6,388	1,558

(1) Equity as reported under Canadian GAAP includes non-controlling interest.

The following discussion explains the significant differences between the Company'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 and

(in thousands of Canadian dollars)

alternative treatment upon transition to IFRS for first-time adopters. The descriptive note captions below correspond to the adjustments presented in the preceding reconciliations.

(ii) IFRS adjustments

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

IFRS does not provide for alternate accounting policies for private companies and requires the use of a volatility rate based on actual company trading history or the average of the volatility rates of its closest related peer group as well as the application of an estimated forfeiture rate. Accordingly, upon transition to IFRS, the Company recorded an adjustment of $498 thousand to increase contributed surplus to recognize the increase in share-based payments expense with the offset charged to deficit. The Company elected to use the IFRS 1 exemption whereby the share-based payment expense for options that had vested prior to January 1, 2010 were not required to be retrospectively restated. The application of IFRS for share-based payments resulted in a $365 thousand 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 $863 thousand.

(b) Under previous GAAP, the functional currency for the Company's US subsidiary was determined to be the 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 $200 thousand, a decrease in accumulated other comprehensive income of $924 thousand, net of $295 thousand deferred tax adjustment, and a decrease in deficit of $283 thousand.

(c) Deferred tax has been adjusted to reflect the tax differences arising from the differences between IFRS and previous GAAP for temporary differences arising on intercompany sales of assets. The adjustment arises from differing tax rates between Canada and the United States. During the twelve months ended December 31, 2010, the application of the IFRS adjustments to the tax provision resulted in a $212 thousand decrease to the Company's deferred income tax expense and a corresponding increase to the Company's previous GAAP net earnings.

(iii) Adjustments to the statement of financial position

The transition from Canadian GAAP to IFRS resulted in the following reclassifications to the opening statement of financial position:

(a) The net book value of computer software was reclassified to intangible assets upon transition resulting in a decrease in property, plant and equipment of $248 thousand at January 1, 2010 and $342 thousand at December 31, 2010.

(in thousands of Canadian dollars)

(b) 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 $697 thousand at December 31, 2010.

(iv) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified as operating, investing or financing in a consistent manner each period. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

5 Additional IFRS information for the year ended December 31, 2010

The following IFRS disclosures relating to the year ended December 31, 2010, are material to an understanding of these interim financial statements.

(i) Earnings per share

i. Basic

Basic earnings per share is calculated by dividing the net income attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year.

	Year ended December 31, 2010
Net income attributable to owners of the parent	$ 7,312
Weighted average number of ordinary shares in issue	21,405,667
Basic earnings per share	$ 0.34

ii. Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two dilutive potentials to ordinary shares: stock options and convertible debentures. A calculation is done to determine the number of shares that could have been acquired at a fair value (determined as the average market share price of the Company's outstanding shares for the period) based on the monetary value of the subscription rights attached to the stock options. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of the stock options.

(in thousands of Canadian dollars)

	Year ended December 31, 2010
Net income attributable to owners of the parent	$7,312
Weighted average number of ordinary shares in issue	21,405,667
Adjustments for:	
Convertible debentures	2,602,407
Stock options	244,865
Weighted average number of ordinary shares for diluted earnings per share	24,252,939
Diluted earnings per share	$0.30

6 Property, plant & equipment

Cost

	Buildings $	Automotive Equipment $	Furniture & Fixtures $	Computers $	Tools & Equipment $
As at January 1, 2010	221	3,021	966	1,003	5,457
Capital expenditures	143	69	124	222	975
Divestitures	-	(252)	(15)	(19)	(35)
Transfers	(11)	157	-	-	(1)
Foreign currency translation and other	-	-	(5)	(5)	(6)
As at December 31, 2010	353	2,995	1,070	1,201	6,390
Capital expenditures	-	196	8	65	791
Divestitures	-	(98)	-	-	-
Transfers	-	(11)	-	(16)	11
Foreign currency translation	-	-	(3)	15	131
As at March 31, 2011	353	3,082	1,075	1,265	7,323

Cost (cont'd)

			Assets Under Finance Lease		
	Leasehold Improvements $	Rental Equipment $	Rental $	Other $	Total $
As at January 1, 2010	1,521	32,604	9,351	8,709	62,853
Capital expenditures	255	38,446	-	-	40,234
Divestitures	(3)	(751)	(86)	(742)	(1,903)
Transfers	-	(3,249)	4,085	(2,102)	(1,121)
Assets under finance lease	-	-	3	2,422	2,425
Foreign currency translation and other	-	(1,446)	-	(14)	(1,476)
As at December 31, 2010	1,773	65,604	13,353	8,273	101,012
Capital expenditures	69	29,989	-	-	31,118
Divestitures	-	-	-	(361)	(459)
Transfers	-	2,604	(3,068)	-	(480)
Assets under financial lease	-	-	-	649	649
Foreign currency translation and other	-	(1,020)	-	(21)	(898)
As at March 31, 2011	1,842	97,177	10,285	8,540	130,942

(in thousands of Canadian dollars)

Accumulated Depreciation and Amortization

	Buildings	Automotive Equipment	Furniture & Fixtures	Computers	Tools & Equipment
	$	$	$	$	$
As at January 1, 2010	96	1,831	671	762	3,533
Depreciation and amortization	69	333	143	198	1,056
Divestitures	-	(149)	(15)	(13)	(15)
Transfers	-	41	-	-	2
Foreign currency translation	-	(10)	-	(1)	-
As at December 31, 2010	165	2,046	799	946	4,576
Depreciation and amortization	21	111	36	51	222
Divestitures	-	(92)	-	-	-
Transfers	-	-	-	(7)	-
Foreign currency translation	-	-	-	(1)	-
As at March 31, 2011	186	2,065	835	989	4,798
Net book value					
As at January 1, 2010	125	1,190	295	241	1,924
As at December 31, 2010	188	949	271	255	1,814
As at March 31, 2011	167	1,017	240	276	2,525

Accumulated Depreciation and Amortization (cont'd)

	Leasehold Improvements	Rental Equipment	*Assets Under Finance Lease* Rental	Other	Total
	$	$	$	$	$
As at January 1, 2010	706	8,176	2,902	3,366	22,043
Depreciation and amortization	202	6,151	1,661	1,262	11,075
Divestitures	(1)	(175)	(28)	(548)	(944)
Transfers	(2)	(1,094)	204	(272)	(1,121)
Foreign currency translation	-	(161)	-	3	(169)
As at December 31, 2010	905	12,897	4,739	3,811	30,884
Depreciation and amortization	70	2,522	378	424	3,835
Divestitures	-	-	-	(226)	(318)
Transfers	-	579	(1,044)	-	(472)
Foreign currency translation	-	(78)	-	(2)	(81)
As at March 31, 2011	975	15,920	4,073	4,007	33,848
Net book value					
As at January 1, 2010	815	24,428	6,449	5,343	40,810
As at December 31, 2010	868	52,707	8,614	4,462	70,128
As at March 31, 2011	867	81,257	6,212	4,533	97,094

(in thousands of Canadian dollars)

7 Intangible assets

Cost

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
	$	$	$	$	$
As at January 1, 2010	20,558	2,995	1,942	804	26,299
Capital expenditures	-	-	-	267	267
Divestitures	-	-	-	(14)	(14)
As at December 31, 2010	20,558	2,995	1,942	1,057	26,552
Capital expenditures	-	-	-	136	136
Transfers	-	-	-	17	17
Foreign currency translation	-	-	-	(2)	(2)
As at March 31, 2011	20,558	2,995	1,942	1,208	26,703

Accumulated Depreciation and Amortization

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
	$	$	$	$	$
As at January 1, 2010	8,485	1,071	1,331	556	11,443
Depreciation and amortization	2,850	300	353	166	3,669
Divestitures	-	-	-	(6)	(6)
As at December 31, 2010	11,335	1,371	1,684	717	15,106
Depreciation and amortization	648	75	71	52	846
Transfers	-	-	-	6	6
As at March 31, 2011	11,983	1,446	1,754	776	15,958
Net book value					
As at January 1, 2010	12,073	1,924	611	248	14,856
As at December 31, 2010	9,223	1,624	259	340	11,446
As at March 31, 2011	8,575	1,549	188	433	10,745

8 Bank 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 facility 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. At March 31, 2011, the overall effective rate on the operating loan was 4.51%.

(in thousands of Canadian dollars)

9 Long-term debt

Long-term debt	As at March 31, 2011 $	As at December 31, 2010 $
Committed 364-day revolving loan	11,000	-
Less: Current portion	(2,750)	-
	8,250	-

The Company has a $19.0 million 364-day revolving bank facility of which the Company had drawn $11.0 million as at March 31, 2011. The loan 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 revolving bank facility is subject to certain borrowing restrictions based on the net book value of the Company's fixed assets. Monthly payments are interest only and the facility is secured by a general security agreement over the Company's assets. The revolving 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. At March 31, 2011, the overall effective rate on the revolving bank facility was 4.62%.

10 Obligations under finance lease

	As at March 31, 2011 $	As at December 31, 2010 $
Equipment under finance lease	8,738	9,944
Less: Current portion	(3,988)	(4,662)
	4,750	5,282

As part of the Company's obligations under finance lease as described above, the Company has a bank lease facility of $10.0 million of which $5.5 million is outstanding at March 31, 2011. Monthly payments are fixed amounts representing principal and interest. The bank leases bear interest at fixed market rates and at March 31, 2011, the overall effective rate on the lease line was 5.54%.

(in thousands of Canadian dollars)

11 Share capital

a) Authorized

An unlimited number of Classes A, B, C, D, E and F shares without nominal or par value.

As at March 31, 2011, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	For the period ended March 31, 2011		Year ended December 31, 2010	
	Number of shares	Amount $	Number of shares	Amount $
Balance, beginning of period	37,246,384	157,071	20,149,380	99,091
Issued on private placements	-	-	258,000	645
Issued on IPO	-	-	11,250,000	45,000
Issued on conversion of debentures	-	-	5,593,603	16,781
Repurchases	-	-	(4,599)	(19)
Shareholder loans	-	-	-	(1,460)
Share issue costs	-	(62)	-	(3,988)
Future income taxes	-	-	-	1,021
Total common shares, end of period	37,246,384	157,009	37,246,384	157,071

c) Share-based compensation

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

Options granted under the previous plan have a term of 6 years and either vest one-third on each of the second, third and fourth anniversary dates of the grant date or one-half on each of the first and second anniversary dates of the grant date.

Details of the exercise prices and expiry dates of options outstanding and exercisable at March 31, 2011 are as follows:

	March 31, 2011		December 31, 2010	
	Outstanding options	Weighted average exercise price per share $	Outstanding options	Weighted average exercise price per share $
Balance, beginning of period	1,826,667	4.05	1,219,500	4.96
Granted	590,000	4.07	670,500	2.50
Forfeited – vested	(15,667)	6.23	(38,666)	5.88
Forfeited – unvested	(7,667)	3.02	(24,667)	5.43
Balance, end of period	2,393,333	4.05	1,826,667	4.05

(in thousands of Canadian dollars)

The Company recognized compensation expense of $214 thousand (2010 - $154 thousand) during the three months ended March 31, 2011, based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate between 2% and 4%, expected volatility between 40.45% and 55.96% and zero expected dividends.

d) Per share amounts

	Three Months Ended March 31,	
	2011	2010
Basic weighted average shares outstanding	36,632,544	20,149,380
Dilutive effect of stock options	367,074	-
Diluted weighted average shares outstanding	36,999,618	20,149,380

12 Income taxes

	Three Months Ended March 31,	
	2011	2010
Current tax expense	20	1,019
Deferred tax expense (recovery)	1,122	(198)
Income tax expense	1,142	821

13 Capital structure

The Company's objectives when managing capital are to provide flexibility so as to maximize opportunities and to finance the growth of the Company. The Company's capital structure consists of shareholders' equity, an operating line of credit, finance leases and long-term debt.

	March 31, 2011 $	December 31, 2010 $
Operating line of credit	13,345	-
Long-term debt	11,000	-
Finance leases	8,738	9,944
Total debt	33,083	9,944
Total equity	142,370	140,884
Less: cash and cash equivalents	-	(8,416)
Total capitalization	175,453	142,412

The Company manages capital and makes adjustments taking into consideration changing market conditions and other opportunities, while remaining cognizant of the cyclical nature of the energy services sector. In order to maintain or adjust capital structure, the Company may modify its capital spending, issue shares, and add or repay debt. The Company may also revise the terms of its debt facilities as a result of expansion and growth activities.

(in thousands of Canadian dollars)

The Company also manages capital to ensure compliance with the margin requirements and financial covenants on its credit facilities. The Company monitors compliance with these requirements on an ongoing basis and forecasts regularly to assess how certain activities may impact compliance in future periods. As at March 31, 2011, the Company is in compliance with respect to these covenants. The Company also monitors non-GAAP measures, specifically EBITDA, which is calculated as net income/(loss) plus interest, taxes, depreciation and amortization, loss on foreign exchange, other losses, less gain on foreign exchange, and other gains. The Company's management uses EBITDA to evaluate the financial performance of each division.

14 Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, an operating line of credit, accounts payable and accrued liabilities and long-term debt. The fair value of accounts receivable, operating line of credit, and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity. Long term debt utilizes floating rates and accordingly its fair market value approximates the carrying value.

	March 31, 2011		December 31, 2010	
	Fair value amount $	Carrying amount $	Fair value amount $	Carrying amount $
Loans and receivables:				
Cash and cash equivalent	-	-	8,416	8,416
Accounts receivable	47,205	47,205	41,700	41,700
Financial liabilities:				
Bank indebtedness	13,345	13,345	-	-
Accounts payable and accrued liabilities	23,374	23,374	26,755	26,755
Long-term debt	11,000	11,000	-	-

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivable.

The vast majority of the Company's trade receivable are customers involved in the oil and gas industry, and the ultimate collection of the trade receivable is dependent on both industry related factors and customer specific factors. Industry related factors that may affect collection include commodity prices and access to capital. Customer specific factors that may affect collection include commodity prices, the success of drilling programs, well reservoir decline rates and access to capital.

	March 31, 2011 $	December 31, 2010 $
Under 30 days	21,279	20,005
31-60 days	18,479	10,670
61-90 days	1,259	5,325
Over 90 days	6,188	5,700
Trade receivable	47,205	41,700

(in thousands of Canadian dollars)

As at March 31, 2011, the Company had a reserve balance of $1.4 million (2010 - $1.7 million) with respect to potentially uncollectible accounts. The Company does not have a significant exposure to any individual customer or counter party except one customer that accounted for approximately 14% of revenue for the period ended March 31, 2011 (2010 – two customers for 24%). No other customer accounted for more than 10% of revenue during the period ended March 31, 2011.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's principal sources of liquidity are operating cash flows, existing or new credit facilities and new share equity. The Company monitors its liquidity position on an ongoing basis and manages liquidity risk by regularly evaluating capital and operating budgets, forecasting cash flows and maintaining sufficient credit facilities to meet financing requirements.

The timing of cash flows relating to financial liabilities are outlined in the table below:

	2012	2013	2014	2015	2016
	Less than 1 year	1 – 2 years	2 - 3 years	3 – 4 years	4 – 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	23,374	-	-	-	-
Bank indebtedness [(1)]	13,628	-	-	-	-
Current and Long-term debt [(1)]	3,258	8,631	-	-	-
Obligations under finance lease [(1)]	4,351	3,633	1,490	17	-
Total	44,611	12,264	1,490	17	-

(1) Includes principal and interest

Market Risk

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.

i) Foreign exchange risk

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 US operations where revenues, costs, and purchases of capital assets are denominated in US dollars. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/US exchange rates. The exposure is considered to be low. As such, the Company does not utilize derivative financial instruments with respect to foreign exchange.

(in thousands of Canadian dollars)

ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate fluctuations on its borrowings which are at floating rates. For the period ending March 31, 2011, if interest rates had been 1% lower with all other variables constant, after tax net earnings for the period would have been approximately $25 thousand higher (2010 - $70 thousand), due to lower interest expense. An equal and opposite impact would have occurred to net earnings had interest rates been 1% higher.

The Company had no interest rate swap or financial contracts in place as at or during the period ended March 31, 2011.

15 Segment reporting

The Company operates in Canada and the United States through two business 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, compression systems, power systems, production equipment, electrical and instrumentation, and structures.

For the three months ended March 31, 2011	**Drilling**	**Production**	**Corporate**	**Total**
	$	$	$	$
Revenue	26,782	17,826	-	44,608
Depreciation and amortization	3,584	1,021	76	4,681
Net interest expense	317	32	(115)	234
Earnings before income tax and non-controlling interests	4,753	267	(1,748)	3,272
Income tax expense (recovery)	949	(89)	282	1,142
Capital expenditures	31,224	(135)	29	31,118
Goodwill	17,277	18,727	-	36,004
Total assets	151,235	61,134	961	213,330

For the three months ended March 31, 2010	**Drilling**	**Production**	**Corporate**	**Total**
	$	$	$	$
Revenue	17,404	16,054	-	33,458
Depreciation and amortization	2,261	1,029	56	3,346
Net interest expense	162	19	280	461
Earnings before income tax and non-controlling interests	3,652	585	(1,644)	2,593
Income tax expense (recovery)	1,084	173	(436)	821
Capital expenditures	5,997	132	87	6,216
Goodwill	17,277	18,727	-	36,004
Total assets	79,414	61,274	1,567	142,255

(in thousands of Canadian dollars)

The Company operates in two main geographic regions namely Canada and the United States. Revenue and assets from Canada and the United States are as follows:

Assests and revenue by geography

For the three months ended March 31, 2011	**Canada**	**USA**	**Total**
	$	**$**	**$**
Total revenue	35,653	8,955	44,608
Total assets	145,492	67,838	213,330

For the three months ended March 31, 2010			
	Canada	**USA**	**Total**
	$	$	$
Total revenue	30,006	3,452	33,458
Total assets	132,390	9,865	142,255

16 Comparative figures

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2011.

17 Subsequent event

On April 29, 2011, the Company signed an agreement to increase its credit facility with its primary lender. The amended facility includes an increase in the operating facility of $5.0 million to a total of $25.0 million, subject to margin requirements, and an increase in the revolving bank facility of $5.0 million to a total of $24.0 million.