

Strad Energy Services Ltd.

Unaudited Condensed Interim Consolidated Financial Statements
As at and for the three and six months ended June 30, 2012

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

(in thousands of Canadian dollars)	As at June 30, 2012 \$	As at December 31, 2011 \$
Assets		
Current assets		
Trade receivables	47,546	49,466
Inventories (note 3)	6,099	7,950
Prepays and deposits	3,818	4,263
Current portion of notes receivable (note 4)	649	1,352
Income taxes receivable	1,447	-
	<u>59,559</u>	<u>63,031</u>
Assets held for sale (note 5)	1,439	-
Non-current assets		
Property, plant and equipment (note 6)	159,562	126,439
Intangible assets (note 7)	2,646	2,752
Notes receivable (note 4)	1,065	683
Goodwill	17,277	17,277
Deferred income taxes	490	2,873
	<u>242,038</u>	<u>213,055</u>
Assets of disposal group classified as held for sale (note 15)	-	14,056
Total assets	<u>242,038</u>	<u>227,111</u>
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	5,459	5,570
Accounts payable and accrued liabilities	23,682	30,812
Deferred revenue	248	2,245
Current portion of obligations under finance lease (note 9)	4,080	4,383
Current portion of note payable (note 10)	510	-
Income taxes payable	-	3,392
Dividend payable (note 12)	2,049	-
	<u>36,028</u>	<u>46,402</u>
Non-current liabilities		
Long-term debt (note 11)	52,500	23,500
Obligations under finance lease (note 9)	2,749	3,282
Note payable (note 10)	1,019	-
Deferred income tax liabilities	14,185	13,666
	<u>106,481</u>	<u>86,850</u>
Liabilities of disposal group classified as held for sale (note 15)	-	6,988
Total liabilities	<u>106,481</u>	<u>93,838</u>
Equity		
Equity attributable to owners of the parent		
Share capital (note 12)	118,251	157,042
Contributed surplus (note 12)	11,595	3,017
Accumulated other comprehensive loss	(754)	(585)
Retained earnings (deficit)	6,283	(28,260)
	<u>135,375</u>	<u>131,214</u>
Non-controlling interests (note 13)	<u>182</u>	<u>2,059</u>
Total equity	<u>135,557</u>	<u>133,273</u>
Total liabilities and equity	<u>242,038</u>	<u>227,111</u>
Subsequent event (note 22)		

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

Strad Energy Services Ltd.
Interim Consolidated Statement of Income
For the three and six months ended June 30, 2012 and 2011
(Unaudited)

(in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2012	2011	2012	2011
	\$	\$	\$	\$
Continuing operations				
Revenue	54,304	36,717	110,605	63,499
Expenses				
Operating expenses	34,959	19,314	66,859	34,085
Depreciation	6,637	4,221	12,525	7,548
Amortization of intangible assets	366	390	731	723
Selling, general administration	8,347	6,717	16,518	11,397
Share-based payments	113	188	362	361
(Gain) loss on disposal of property, plant and equipment	(11)	(119)	24	(141)
Foreign exchange (gain) loss	(32)	329	369	602
Interest expense	696	486	1,198	688
Income before income tax from continuing operations	3,229	5,191	12,019	8,236
Income tax (note 14)	644	1,832	3,791	3,063
Net income from continuing operations for the period	2,585	3,359	8,228	5,173
Income (loss) from discontinued operations, net of tax (note 15)	744	(12)	437	304
Net income for the period	3,329	3,347	8,665	5,477
Net income attributable to:				
Owners of the parent	3,516	3,557	8,332	5,144
Non-controlling interests	(187)	(210)	333	333
	3,329	3,347	8,665	5,477
Earnings per share from continuing operations attributable to the equity owners of the Company:				
Basic	\$0.08	\$0.10	\$0.22	\$0.13
Diluted	\$0.07	\$0.10	\$0.21	\$0.13
Earnings per share from discontinued operations attributable to the equity owners of the Company:				
Basic	\$0.02	\$0.00	\$0.01	\$0.01
Diluted	\$0.02	\$0.00	\$0.01	\$0.01
Earnings per share from total operations attributable to the equity owners of the Company:				
Basic	\$0.10	\$0.10	\$0.23	\$0.14
Diluted	\$0.09	\$0.10	\$0.22	\$0.14

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

Strad Energy Services Ltd.

Interim Consolidated Statement of Comprehensive Income For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

	Three months ended		Six months ended	
	June 30		June 30	
	2012	2011	2012	2011
	\$	\$	\$	\$
Net income for the year	3,329	3,347	8,665	5,477
Other comprehensive income (loss)				
Cumulative translation adjustment	931	(267)	(169)	(1,063)
Total other comprehensive income (loss)	931	(267)	(169)	(1,063)
Comprehensive income for the year	4,260	3,080	8,496	4,414
Comprehensive income attributable to:				
Owners of the parent	4,337	3,317	8,163	4,187
Non-controlling interests	(77)	(237)	333	227
	4,260	3,080	8,496	4,414

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

Strad Energy Services Ltd.
Interim 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	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$	\$	\$
Balance – January 1, 2012	157,042	3,017	(585)	(28,260)	131,214	2,059	133,273
Net income for the period	-	-	-	8,332	8,332	333	8,665
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	-	-	(169)	-	(169)	-	(169)
Comprehensive (loss) income for the period	-	-	(169)	8,332	8,163	333	8,496
Reduction of stated capital (note 12(g))	(39,086)	9,234	-	29,852	-	-	-
Exercise of options	24	(66)	-	-	(42)	-	(42)
Shareholder loan (note 20)	271	-	-	-	271	-	271
Purchase of non-controlling interest (note 13)	-	(821)	-	(1,592)	(2,413)	(2,214)	(4,627)
Dividend declared (note 12)	-	-	-	(2,049)	(2,049)	-	(2,049)
Employee share options:							
Value of services recognized	-	166	-	-	166	-	166
Reversal of cumulative translation adjustment on purchased non-controlling interest	-	61	-	-	61	-	61
Other	-	4	-	-	4	4	8
Balance – June 30, 2012	118,251	11,595	(754)	6,283	135,375	182	135,557
Balance – January 1, 2011	157,071	2,221	(832)	(18,235)	140,225	659	140,884
Net income for the period	-	-	-	5,144	5,144	333	5,477
Other comprehensive loss (net of tax):							
Cumulative translation adjustment	-	-	(957)	-	(957)	(106)	(1,063)
Comprehensive (loss) income for the period	-	-	(957)	5,144	4,187	227	4,414
Share issuance costs	(147)	-	-	-	(147)	-	(147)
Employee share options:							
Value of services recognized	-	455	-	-	455	-	455
Balance – June 30, 2011	156,924	2,676	(1,789)	(13,091)	144,720	886	145,606

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

Strad Energy Services Ltd.
Interim Consolidated Statement of Cash Flow
For the six months ended June 30, 2012 and 2011
(Unaudited)

(in thousands of Canadian dollars)

	2012	2011
	\$	\$
Cash flow provided by (used in)		
Operating activities		
Net income for the period	8,665	5,477
Adjustments for:		
Depreciation and amortization	13,256	10,287
Deferred income tax	2,704	3,216
Share-based payments	166	455
Interest expense	1,198	744
Loss (gain) on disposal of property, plant and equipment	24	(157)
Loss on sale of investment in subsidiary	441	-
Changes in items of non-cash working capital (note 16)	(6,899)	(6,107)
Net cash generated from operating activities	<u>19,555</u>	<u>13,915</u>
Investing activities		
Purchase of property, plant and equipment	(45,071)	(50,471)
Proceeds from sale of property, plant and equipment	848	452
Purchase of intangible assets	(623)	(338)
Proceeds on sale of subsidiaries (note 15)	7,129	-
Purchase of assets held for sale	(1,439)	-
Purchase of non-controlling interest	(4,627)	-
Net cash used in investing activities	<u>(43,783)</u>	<u>(50,357)</u>
Financing activities		
Proceeds on issuance of long-term debt	29,000	22,000
Repayment of finance lease obligations (net)	(1,877)	(3,084)
Share issuance costs	-	(147)
Issue of share capital	24	-
Repayment of shareholder loan	271	-
Interest paid on debt	(1,198)	(744)
Net cash generated from financing activities	<u>26,220</u>	<u>18,025</u>
Effect of exchange rate changes on cash and cash equivalents	(1,676)	(69)
(Decrease) in cash and cash equivalents	<u>316</u>	<u>(18,486)</u>
Cash and cash equivalents (including bank indebtedness) – beginning of year	(5,570)	8,416
Cash and cash equivalents included in liabilities of disposal group - beginning of year	(205)	-
Cash and cash equivalents (including bank indebtedness) – end of year	<u>(5,459)</u>	<u>(10,070)</u>
Cash paid for income tax	<u>5,621</u>	-

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Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three and six months ended June 30, 2012 and 2011
(Unaudited)

(in thousands of Canadian dollars)

1 General information

Strad Energy Services Ltd. (the "Company"), is an energy services company that focuses on providing well-site infrastructure and activation solutions to the oil and natural gas industry in Canada and the United States (U.S.).

The Company is a publicly listed company incorporated and domiciled in Canada under the legislation of the Province of Alberta. The condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2012, and 2011, comprise the Company and its subsidiaries.

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

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors ("the Board") on August 8, 2012.

2 Basis of preparation

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 continued reporting on this basis in these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, IAS 34, Interim Financial Reporting.

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 8, 2012, 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, 2012, could result in restatement of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company's IFRS annual financial statements at December 31, 2011.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three and six months ended June 30, 2012 and 2011
(Unaudited)

(in thousands of Canadian dollars)

3 Inventories

	As at June 30, 2012	As at December 31, 2011
Raw materials	\$ 5,035	\$ 7,526
Work in progress	522	179
Finished goods	542	245
	6,099	7,950

The cost of inventories recognized as expense and included in 'Operating expenses' for the six months ended June 30, 2012 amounted to \$25.6 million (2011 - \$14.1 million).

During the period ended June 30, 2012, the Company recorded a write-down of \$135 thousand (2011 - nil) to raw materials inventories to net realizable value.

4 Notes receivable

	As at June 30, 2012	As at December 31, 2011
Three-year notes receivable	\$ 1,714	\$ 1,000
Ninety-day note receivable	-	1,035
Less: Current portion	(649)	(1,352)
	1,065	683

On January 12, 2012, the Company sold its investment in Strad Production Services Ltd. and Sunwell Industries Ltd. (see note 15). As part of the consideration, the Company received a \$1.0 million three-year note receivable due January 12, 2015.

On December 12, 2011, the Company sold its investment in Strad Controls Ltd. As part of the consideration, the Company received a ninety-day, non-interest bearing note receivable for \$1.0 million, which was repaid in full March 11, 2012, and a second \$1.0 million three-year note receivable due December 12, 2014.

The repayment terms of both three-year notes call for monthly blended payments of principal and interest of \$30 thousand commencing January 12, 2012, and February 12, 2012, respectively, and ending December 12, 2014, and January 12, 2015, respectively. The three-year notes bear interest at 5.0% annually.

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

5 Assets held for sale

The Company intends to sell and leaseback land and building with a collective carrying value of \$1.4 million which were purchased in April 2012. Assets held for sale are accounted for at the lower of cost and net realizable value.

No impairment was recognized in the consolidated statement of income for the six months ended June 30, 2012.

Assets held for sale are included in the U.S. Operations segment (note 17).

6 Property, plant and equipment

Cost

	Land	Buildings	Automotive equipment	Furniture & fixtures	Computers	Tools & equipment
As at December 31, 2011	172	310	4,691	1,010	1,352	5,796
Capital expenditures	-	-	2,186	155	143	1,524
Divestitures	-	-	(938)	-	-	(37)
Transfers	-	-	(20)	-	-	-
Foreign currency translation	12	-	(7)	3	1	18
As at June 30, 2012	184	310	5,912	1,168	1,496	7,301

	Leasehold improvements	Surface equipment	Assets Under Finance Lease		Total
			Surface equipment	Automotive equipment	
As at December 31, 2011	576	132,279	9,874	6,593	162,653
Capital expenditures	494	40,569	-	967	46,038
Divestitures	-	(32)	-	(312)	(1,319)
Transfers	-	(939)	-	-	(959)
Foreign currency translation	5	523	-	25	580
As at June 30, 2012	1,075	172,400	9,874	7,273	206,993

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

Accumulated Depreciation

	Land	Buildings	Automotive equipment	Furniture & fixtures	Computers	Tools & equipment
	\$	\$	\$	\$	\$	\$
As at December 31, 2011	-	235	1,928	284	828	2,081
Depreciation	-	26	550	94	134	580
Divestitures	-	-	(325)	-	-	(8)
Transfers	-	-	(20)	-	-	-
Foreign currency translation	-	(1)	(1)	1	3	6
As at June 30, 2012	-	260	2,132	379	965	2,659

Net book value

As at December 31, 2011	172	75	2,763	726	524	3,715
As at June 30, 2012	184	50	3,780	789	531	4,642

Assets Under Finance Lease

	Leasehold improvements	Surface equipment	Surface equipment	Automotive equipment	Total
As at December 31, 2011	302	24,542	4,579	1,435	36,214
Depreciation	126	9,700	389	926	12,525
Divestitures	-	(5)	-	(109)	(447)
Transfers	-	(939)	-	-	(959)
Foreign currency translation	2	87	(1)	2	98
As at June 30, 2012	430	33,385	4,967	2,254	47,431

Net book value

As at December 31, 2011	274	107,737	5,295	5,158	126,439
As at June 30, 2012	645	139,015	4,907	5,019	159,562

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

7 Intangible assets

Cost

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2011	7,200	1,900	800	1,047	10,947
Capital expenditures	-	169	100	354	623
Foreign currency translation	-	-	-	8	8
As at June 30, 2012	7,200	2,069	900	1,409	11,578

Accumulated Amortization

	Customer relationships	Patent and technology asset	Non-competition covenants	Computer software	Total
As at December 31, 2011	6,003	1,013	783	396	8,195
Amortization	446	95	17	173	731
Foreign currency translation	3	-	-	3	6
As at June 30, 2012	6,452	1,108	800	572	8,932

Net book value

As at December 31, 2011	1,197	887	17	651	2,752
As at June 30, 2012	748	961	100	837	2,646

8 Bank indebtedness

On July 25, 2011, the Company entered into a three year banking syndication credit agreement maturing on July 25, 2014. The terms of the agreement allow for the Company to borrow up to \$100.0 million by way of a \$15.0 million operating facility and an \$85.0 million revolving facility, both subject to borrowing base margin requirements based on the Company's trade receivables, inventory and net book value of fixed assets. Monthly payments are interest only and the facility is secured by a general security agreement over the Company's assets. The syndicated facility bears interest at a variable rate which is dependent on the Company's funded debt to Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA") ratio. Based on the Company's current funded debt to EBITDA ratio, the interest rate on the credit facility is bank prime plus 1.00% on prime rate advances and at the prevailing rate plus a stamping fee of 2.00% on bankers' acceptances. At June 30, 2012, the overall effective rate on the operating facility was 4.12%. At June 30, 2012, \$5.5 million was drawn on the operating facility. All bank covenants are in compliance at June 30, 2012.

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

9 Obligations under finance lease

	As at June 30, 2012	As at December 31, 2011
Equipment under finance lease	\$ 6,829	\$ 7,665
Less: Current portion	(4,080)	(4,383)
	2,749	3,282

The finance leases bear interest ranging from 1% to 9% at June 30, 2012.

10 Note payable

	As at June 30, 2012	As at December 31, 2011
1.5 year note payable	\$ 1,529	\$ -
Less: Current portion	(510)	-
	1,019	-

On May 23, 2012, a note payable of \$1.5M was issued as part of consideration paid for the acquisition of the remaining shares of the non-controlling interest in a subsidiary (Note 13).

The repayment terms of the 1.5 year note are principal payments of \$500 thousand due February 28, 2013, and \$1 million to be paid on November 30, 2013. Accumulated interest will be paid at the end of the term on November 30, 2013. The note bears interest at 3.0% annually.

11 Long-term debt

	As at June 30, 2012	As at December 31, 2011
Revolving facility	\$ 52,500	\$ 23,500
Less: Current portion	-	-
	52,500	23,500

As at June 30, 2012, the Company had access to the maximum available \$85.0 million revolving facility (see note 8) of which \$52.5 million was drawn. Monthly payments are interest only with the principal due July 25, 2014. The overall effective rate on the revolving facility at June 30, 2012 was 4.11%.

Strad Energy Services Ltd.
Notes to the Interim Consolidated Financial Statements
For the three and six months ended June 30, 2012 and 2011
(Unaudited)

(in thousands of Canadian dollars)

12 Share capital

a) Authorized

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

As at June 30, 2012, there are no Class B, C, D, E or F shares outstanding.

b) Issued and outstanding

	For the six months ended June 30, 2012		Year-ended December 31, 2011	
	Number of shares	Amount \$	Number of shares	Amount \$
Balance, beginning of period	37,246,384	157,042	37,246,384	157,071
Shareholder loans	-	271	-	118
Share issue costs	-	-	-	(147)
Reduction of stated capital (note 12(g))	-	(39,086)	-	-
Exercise of options	4,917	24	-	-
Total common shares, end of period	37,251,301	118,251	37,246,384	157,042

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 six years and either vest one-third on each of the second, third and fourth anniversary dates of the grant date or one-half on each of the first and second anniversary dates of the grant date.

	As at June 30, 2012		As at December 31, 2011	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	2,209,499	\$4.10	1,826,667	\$4.05
Granted	947,500	\$4.47	619,000	\$4.09
Exercised	(38,328)	\$3.86	-	-
Expired – vested	(283,998)	\$4.77	-	-
Forfeited – vested	-	-	(35,333)	\$5.70
Forfeited – unvested	(283,005)	\$3.46	(200,835)	\$3.36
Balance, end of period	2,551,668	\$4.24	2,209,499	\$4.10

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

The Company recognized compensation expense of \$114 thousand and \$166 thousand net of recoveries included in loss from discontinued operations (2011 -\$241 thousand and \$455 thousand) during the three and six months ended June 30 2012, based on the Black-Scholes option pricing model with the following assumptions: risk free interest rate between 1% and 4%, expected volatility between 40.45% and 55.96% and an expected quarterly dividend of 5.5 cents per share.

d) Contributed surplus

	Six months ended June 30, 2012	Year-ended December 31, 2011
Balance, beginning of year	\$ 3,017	\$ 2,221
Share-based payments expense - continuing operations	362	643
Share-based payments (recovery) expense - discontinued operations	(196)	153
Exercise of options	(66)	-
Reduction of stated capital (note 12(g))	10,826	-
Repurchase of minority interest	(2,413)	-
Reversal of cumulative translation adjustment on purchased non-controlling interest	61	-
Other	4	-
Balance, end of period	11,595	3,017

e) Per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Basic weighted average shares outstanding	36,714,257	36,632,544	36,713,600	36,632,544
Dilutive effect of stock options	520,073	367,074	431,927	367,074
Dilutive effect of shareholder loans	533,442	-	533,442	-
Diluted weighted average shares outstanding	37,767,772	36,999,618	37,678,969	36,999,618

f) Dividend payable

On March 1, 2012, the Company's Board of Directors declared a dividend of 5.5 cents per share, payable on July 13, 2012, to shareholders of record at the close of business on June 29, 2012.

g) Reduction of stated capital

On May 9, 2012, the shareholders of the Company approved a reduction in stated capital of the Company in the amount of \$39.1 million. The reduction of stated capital resulted in an increase in contributed surplus as disclosed in note 12(d), with the remaining amount eliminating the Company's deficit of \$28.3 million as at December 31, 2011.

Strad Energy Services Ltd.

Notes to the Interim Consolidated Financial Statements For the three and six months ended June 30, 2012 and 2011 (Unaudited)

(in thousands of Canadian dollars)

13 Transactions with non-controlling interests

On March 1, 2012, the Company acquired the remaining 25% of the issued shares of one of its subsidiaries for purchase consideration of \$2.7 million. The Company now holds 100% of the equity share capital of the subsidiary. The carrying amount of the non-controlling interest in the subsidiary on the date of acquisition was \$1.1 million. The Company recorded a decrease in equity attributable to owners of the parent of \$1.6 million, representing the excess between the consideration and the carrying amount of the non-controlling interest. The effect of changes in the ownership interest in the subsidiary on the equity attributable to owners of the Company during the year is summarized in the table below.

On May 31, 2012, the Company acquired the remaining 10% of the class B issued shares of one of its subsidiaries for share purchase consideration of \$1.9 million USD. Consideration was in the form of a \$0.5 million cash payment and a \$1.5 million note payable (note 10). The Company now holds 100% of the equity share capital of the subsidiary. The carrying amount of the non-controlling interest in the subsidiary on the date of acquisition was \$1.1million. The Company recorded a decrease in equity attributable to owners of the parent of \$0.8 million, representing the excess between the consideration and the carrying amount of the non-controlling interest. The effect of changes in the ownership interest in the subsidiary on the equity attributable to owners of the Company during the year is summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Carrying amount of non-controlling interests acquired	\$ 1,146	\$ -	\$ 2,214	\$ -
Consideration paid to non-controlling interests	1,967	-	4,627	-
Excess of consideration paid recognized in owner's equity	821	-	2,413	-

14 Income tax

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Current income tax expense	\$ (104)	\$ -	\$ 1,087	\$ 20
Deferred income tax expense	748	1,832	2,704	3,043
Income tax expense	644	1,832	3,791	3,063

15 Discontinued operations and disposal groups held for sale

On January 12, 2012, the Company sold its 100% shareholdings in Strad Production Services Ltd. and Sunwell Industries Ltd. ("Production") to a related party, being a former executive of the Company. The Company received proceeds of \$8.4 million consisting of \$7.4 million cash and a \$1.0 million note receivable. The results and cash flows of the subsidiaries are disclosed as a discontinued operation in accordance with IFRS.

Strad Energy Services Ltd.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Analysis of the results of discontinued operations:				
Revenue	\$ -	\$ 16,036	\$ 1,321	\$ 33,862
Expense	-	16,203	1,150	33,802
Income (loss) from ordinary activities of discontinued operations	-	(167)	171	60
Tax expense (recovery)	(744)	(155)	(707)	(244)
Income (loss) after tax of ordinary activities of discontinued operations	744	(12)	878	304
Loss recognized on sale of investment in subsidiary ⁽¹⁾	-	-	(441)	-
After-tax (loss) income ⁽²⁾	744	(12)	437	304

(1) After December 31, 2011, re-measurement of assets of disposal group to fair value less costs to sell.

(2) All of the (loss) income from discontinued operations is attributable to owners of the parent.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Current income tax expense from discontinued operations	\$ (744)	\$ (416)	\$ (707)	\$ (416)
Deferred income tax (recovery) from discontinued operations	-	261	-	172
Income tax expense(recovery) from discontinued operations	(744)	(155)	(707)	(244)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
The net cash flows attributable to the operating, investing and financing activities of discontinued operations:				
Operating cash flows	\$ -	\$ 2,999	\$ 205	\$ 3,490
Investing cash flows	-	(39)	-	32
Financing cash flows	-	(204)	-	(418)
Total cash inflow	-	2,756	205	3,104

16 Changes in non-cash working capital

	Six months ended June 30,	Six months ended June 30,
	2012	2011
Trade receivables	\$ 1,920	\$ (3,687)
Inventories	1,851	(824)
Prepays and deposits	445	(72)
Notes receivable	1,322	(2,949)
Accounts payable and accrued liabilities	(7,130)	1,425
Deferred revenue	(1,997)	-
Notes payable	1,529	-
Income taxes payable	(4,839)	-
	(6,899)	(6,107)

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17 Segment information

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

The Executive Management team views the business as two separate sources of revenue. The primary source of revenue is generated from the Company's core business of providing flexible well-site infrastructure and activation solutions to exploration and production companies in the oil and natural gas industry. The Company's core business is split geographically between Canada and the U.S. The Company's second source of revenue, Product Sales, is derived from manufactured Product Sales to external customers, third party equipment sales to existing customers plus sales of equipment from the Company's existing fleet to customers.

The Corporate segment consists of costs incurred to operate a public company, including a portion of the Executive Management team, corporate accounting, rent and utilities and external professional services. A portion of corporate costs directly related to the Company's core business are allocated to Canadian Operations, U.S. Operations and Product Sales.

The Executive Management team assesses the performance of the operating segments based on EBITDA results. Interest expense is allocated to the operating segments based on the portion of lending required to fund capital expenditures during the year.

Three months ended June 30, 2012	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	\$ 15,625	\$ 19,939	\$ 18,740	\$ -	\$ 54,304
Depreciation and amortization	3,704	3,054	144	101	7,003
Net interest expense	117	50	10	519	696
Earnings before income tax and non-controlling interests	(179)	1,954	2,279	(825)	3,229
Income tax expense (recovery)	550	168	(281)	207	644
Capital expenditures ⁽¹⁾	7,738	14,274	240	33	22,285

(1) Capital expenditures do not include purchases of intangible assets or assets acquired under finance lease.

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Three months ended June 30, 2011	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	\$ 11,011	\$ 14,476	\$ 11,230	\$ -	\$ 36,717
Depreciation and amortization	2,602	1,880	46	83	4,611
Net interest expense	365	354	-	(233)	486
Earnings before income tax and non-controlling interests	2,980	3,396	781	(1,966)	5,191
Income tax expense (recovery)	328	1,262	78	164	1,832
Capital expenditures ⁽¹⁾	7,653	12,860	13	245	20,771

Six months ended June 30, 2012	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	\$ 37,451	\$ 40,851	\$ 32,303	\$ -	\$ 110,605
Depreciation and amortization	6,972	5,843	241	200	13,256
Net interest expense	452	114	18	614	1,198
Earnings before income tax and non-controlling interests	3,613	6,507	4,184	(2,284)	12,020
Income tax expense (recovery)	1,453	2,178	(21)	181	3,791
Capital expenditures ⁽¹⁾	18,265	26,153	599	54	45,071
Goodwill	7,675	9,602	-	-	17,277
Total assets	107,421	123,554	6,162	4,901	242,038

Six months ended June 30, 2011	Canadian Operations	U.S. Operations	Product Sales	Corporate	Total
Revenue	\$ 21,413	\$ 23,164	\$ 18,922	\$ -	\$ 63,499
Depreciation and amortization	4,858	3,161	93	159	8,271
Net interest expense	666	369	-	(347)	688
Earnings before income tax and non-controlling interests	5,416	4,917	1,577	(3,674)	8,236
Income tax expense (recovery)	574	1,867	176	446	3,063
Capital expenditures ⁽¹⁾	15,581	36,090	79	274	52,024
Goodwill	7,675	9,602	-	-	17,277
Total assets	75,227	92,693	4,535	2,008	174,463

(1) Capital expenditures do not include purchases of intangible assets or assets acquired under finance lease.

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Revenue from continuing operations by geography	Three Months Ended		Six Months Ended	
	2012	June 30, 2011	2012	June 30, 2011
Canada	\$ 32,788	\$ 21,061	\$ 67,858	\$ 38,888
U.S.	21,516	15,656	42,747	24,611
Total	54,304	36,717	110,605	63,499

	As at			As at		
	June 30, 2012			June 30, 2011		
	Capital assets & goodwill	Other assets	Total assets	Capital assets & goodwill	Other assets	Total assets
Canada	\$ 78,620	\$ 39,863	\$ 118,483	\$ 57,955	\$ 23,815	\$ 81,770
U.S.	100,867	22,688	123,555	68,888	23,805	92,693
Total	179,487	62,551	242,038	126,843	47,620	174,463

During the six months ended June 30, 2012, the Canadian Operations segment had intercompany sales of \$8.8 million (2011 - \$5.3 million), not included in the revenue figures above, to the U.S. Operations segment. Intercompany sales consist of in-house manufactured capital assets which are sold to the U.S. Operations segment. These transactions are eliminated upon consolidation.

18 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, and to mitigate downside risk in changing economic environments. The Company's capital structure consists of shareholders' equity, an operating line of credit, long-term debt, note payable and finance leases.

	As at	As at
	June 30, 2012	December 31, 2011
Operating line of credit	\$ 5,459	\$ 5,570
Long-term debt	52,500	23,500
Note payable	1,529	-
Finance leases	6,829	7,665
Total debt	66,317	36,735
Total equity	135,557	133,273
Total capitalization	201,874	170,008

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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.

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 June 30, 2012, 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, loss on disposal of property, plant and equipment less gain on foreign exchange, and gain on disposal of property, plant and equipment. The Company's management uses EBITDA to evaluate the financial performance of each division.

On December 20, 2011, the Company obtained approval to make a normal course issuer bid (the "Bid") to purchase, from time to time, as it considers advisable, up to 1,862,319 of its issued and outstanding common shares on the open market. Common shares acquired by the Company under the Bid will be cancelled. As at June 30, 2012, the Company had not purchased, or engaged an agent to begin to purchase, any of its issued and outstanding common shares under the Bid.

19 Financial instruments

The Company's financial instruments consist of trade receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities, long-term debt, note payable, and obligations under finance lease. The fair value of trade receivables, notes receivable, bank indebtedness, accounts payable and accrued liabilities and note payable approximate their carrying amounts due to their short terms to maturity. The Company's long-term debt carries interest based on specified benchmark interest rates plus a spread. The fair values of the Company's debt obligations approximate their carrying amounts due to the fact that interest is adjusted periodically based on changes in the relevant benchmark interest rates and there have been no significant changes in the Company's own credit risk.

	As at June 30, 2012		As at December 31, 2011	
	Fair value amount	Carrying amount	Fair value amount	Carrying amount
Loans and receivables:				
Trade receivables	47,546	47,546	49,466	49,466
Notes receivable	1,714	1,714	2,035	2,035
Financial liabilities:				
Bank indebtedness	5,459	5,459	5,570	5,570
Accounts payable and accrued liabilities	23,682	23,682	30,812	30,812
Long-term debt	52,500	52,500	23,500	23,500
Note payable	1,529	1,529	-	-
Obligations under finance lease	6,829	6,829	7,665	7,665

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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 receivables.

The vast majority of the Company's trade receivables are customers involved in the oil and natural gas industry, and the ultimate collection of trade receivables 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.

	As at June 30, 2012	As at December 31, 2011
Under 30 days	\$ 32,436	\$ 32,235
31-60 days	9,117	12,520
61-90 days	3,865	3,000
Over 90 days	2,128	1,711
Trade receivables	47,546	49,466

As at June 30, 2012, the Company had an allowance for doubtful accounts of \$0.4 million (2011 - \$0.5 million) with respect to potentially uncollectible accounts. The Company does not have a significant exposure to any individual customer or counter party, except two customers that accounted for approximately 12% and 11% each of revenue from continuing operations for the period ended June 30, 2012 (2011 – one customer for 11%). No other customer accounted for more than 10% of revenue from continuing operations during the period ended June 30, 2012.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The maximum exposure to credit risk at the reporting date is the carrying value of the trade and note receivables. None of these financial assets, other than the \$0.4 million of trade receivables above for which a reserve balance has been taken, are past due or impaired.

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.

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

	2013	2014	2015	2016	2017
	Less than 1 year	1 – 2 years	2 - 3 years	3 – 4 years	4 – 5 years
Accounts payable and accrued liabilities	\$ 23,682	\$ -	\$ -	\$ -	\$ -
Bank indebtedness ⁽¹⁾	5,459	-	-	-	-
Long-term debt ⁽¹⁾	1,087	2,155	53,716	-	-
Obligations under finance lease ⁽¹⁾	4,206	2,641	375	88	-
Total	34,434	4,796	54,091	88	-

(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 U.S. Operations where revenues, costs, and purchases of capital assets are denominated in USD. The Company is also exposed to foreign exchange risk as certain balances within working capital may fluctuate due to changing Canada/U.S. exchange rates. The Company does not utilize derivative financial instruments with respect to foreign exchange. For the period ended June 30, 2012, if the exchange rate had weakened by 1% against the Canadian dollar with all other variables constant, after tax net earnings would have decreased by \$47 thousand (2011 - \$47 thousand). An equal and opposite impact would have occurred to after tax net earnings if the exchange rate had strengthened by 1% against the Canadian dollar.

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 ended June 30, 2012, if interest rates had been 1% lower with all other variables constant, after tax net earnings for the period would have been approximately \$158 thousand higher (2011 - \$92 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 June 30, 2012.

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20 Related party transactions

- i) Compensation of key management

Key management includes the Company's directors and members of the Executive Management team. The compensation paid or payable to key management for services is shown below:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Salaries and short-term employee benefits	\$ 297	\$ 412	\$ 582	\$ 744
Share-based payments	76	77	297	272
	373	489	879	1,016

- ii) Loans to key management

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

	As at June 30, 2012	As at December 31, 2011
Opening balance	\$ 1,157	\$ 1,275
Repayment of share purchase loans in 2011	-	(118)
Repayment of share purchase loans in 2012	(101)	-
	1,056	1,157

Certain key management personnel have loans outstanding totaling \$1.1 million from the Company. Proceeds of the loans were used to purchase common shares in the Company. The loan balances are non-interest bearing for the first three years the loan balances are outstanding.

The opening balance of share purchase loans for the year-ended December 31, 2011, pertain to share purchase loans issued during the year-ended December 31, 2009, and 2010.

21 Comparative figures

Certain information provided for prior periods has been reclassified to conform to the presentation adopted in 2011. The comparative Statement of Income distinguishes between discontinued operations and continuing operations to conform to the presentation required under IFRS 5 Non-current assets held for sale and discontinued operations (see note 13). Operating segments for the previous period have been reclassified to conform to the change in operating segments disclosed in the 2011 annual financial statements.

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22 Subsequent event

On July 7, 2012, the Company issued a non-interest bearing loan of \$335 thousand to an executive officer for purchase of common shares in the Company.