MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“**MD&A**”) was prepared as of August 8, 2018, and is intended to assist the reader to understand the current financial position and operating results of Strad Energy Services Ltd. **(“Strad”** or the **“Company”**). This MD&A discusses the operating and financial results for the three and six months ended June 30, 2018, and takes into consideration information available up to that date. This MD&A should be read in conjunction with the unaudited condensed interim financial statements of Strad for the three and six months ended June 30, 2018, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2017. Strad's financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. Strad’s class A shares trade on the Toronto Stock Exchange under the symbol “SDY”. All amounts are stated in Canadian Dollars unless otherwise noted.

Additional information relating to Strad for the the three and six months ended June 30, 2018, may be found under the Company's profile on the System for Electronic Document Analysis and Retrieval **(“SEDAR”**) at www.sedar.com.

SECOND QUARTER SELECTED FINANCIAL AND OPERATIONAL HIGHLIGHTS:

- Total revenue decreased 2% to $28.0 million compared to $28.5 million in Q2 2017;
- Second quarter income improved to $3.9 million compared to a loss of $(2.2) million in Q2 2017, due to a deferred tax recovery of $4.3 million resulting from the recognition of a foreign exchange gain for tax purposes;
- EBITDA[1,4] decreased 17% to $4.8 million compared to $5.8 million in Q2 2017;
- Earnings per share improved to $0.07 as compared to loss per share of $(0.04) during the same period in 2017. The loss per share before the deferred tax recovery was $(0.01) as compared to $(0.04) for the same period in 2017;
- Reduced funded debt[2] by 37% to $6.2 million at June 30, 2018, compared to $9.8 million at December 31, 2017. Funded debt[2] to covenant EBITDA[3] ratio was 0.3 : 1.0 at June 30, 2018;
- Increased the 2018 capital budget by 60% from $8.0 million to $13.0 million. The increase in the capital budget is to meet the expected demand for matting related to energy infrastructure projects in Canada and the U.S.;
- Capital additions totaled $6.3 million focused on increasing the Company's matting fleet;
- On July 4, 2018, the Company announced that it had obtained approval from the Toronto Stock Exchange to amend its normal course issuer bid to increase the maximum number of common shares that may be purchased thereunder to a maximum of 4,946,487 common shares. Since the inception of the NCIB, the Company purchased and canceled 2,708,920 common shares;
- As of June 30, 2018 the Company implemented changes to the method of calculating EBITDA, which no longer includes adjustments for gains and losses due to foreign exchange or disposal of property, plant and equipment that occur during the normal course of business; and
- During the second quarter, the Company made the decision to remove Product Sales as a reportable segment. This decision was made due to recent changes made by the Company, including the decision to no longer manufacture products in-house.

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see “Non-IFRS Measures and Reconciliations”.*
(2) *Funded debt includes bank indebtedness plus long-term debt plus current and long-term obligations under finance lease less cash.*
(3) *Covenant EBITDA, as defined in the Company's credit facility agreement, is based on trailing twelve months adjusted EBITDA plus share based payments, plus additional one-time charges.*
(4) *During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.*

SECOND QUARTER FINANCIAL HIGHLIGHTS

($000's, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2018	2017	% Chg.	2018	2017	% Chg.
Revenue	28,035	28,494	(2)%	56,399	56,154	nm
Net income (loss)	3,861	(2,163)	nm	3,464	(4,512)	nm
Per share ($), basic	0.07	(0.04)	nm	0.06	(0.08)	nm
Per share ($), diluted	0.07	(0.04)	nm	0.06	(0.08)	nm
EBITDA (1)	4,830	5,799	(17)%	10,093	10,459	(3)%
EBITDA as a % of revenue	17%	20%		18%	19%	
Per share ($), basic	0.08	0.10	(20)%	0.17	0.18	(6)%
Per share ($), diluted	0.08	0.10	(20)%	0.17	0.18	(6)%
Cash flow from operating activities	9,644	3,031	218 %	16,123	6,572	145 %
Per share ($), basic	0.17	0.05	240 %	0.27	0.11	145 %
Per share ($), diluted	0.17	0.05	240 %	0.27	0.11	145 %
Funds from operations (2)	7,109	6,076	17 %	13,580	11,603	17 %
Per share ($), basic	0.12	0.10	20 %	0.23	0.20	15 %
Per share ($), diluted	0.12	0.10	20 %	0.23	0.20	15 %
Capital expenditures (3)	6,290	6,264	nm	11,045	9,734	13 %
Total assets	170,516	191,174	(11)%	170,516	191,174	(11)%
Long-term debt	6,370	20,951	(70)%	6,370	20,951	(70)%
Total long-term liabilities	18,052	32,979	(45)%	18,052	32,979	(45)%
Common shares - end of period ('000's)	57,304	60,013		57,304	60,013	
Weighted average common shares ('000's)						
Basic	57,623	58,059		58,664	57,669	
Diluted	57,947	58,059		58,987	57,669	

Notes:

(1) *Earnings before interest, taxes, depreciation and amortization (" EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures and Reconciliations". During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.*

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

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

OVERVIEW OF THE COMPANY

Strad is an energy services company that offers its customers a wide range of matting solutions and rental equipment. The matting solutions product group includes environmental and access matting products and services. The surface equipment product group includes surface rentals as well is inclusive of: solids control and waste management, drill pipe and EcoPond® (frac-water storage). Strad strategically diversified its operations through multiple products and services, and is geographically diversified across North America. Strad's commodity exposure includes conventional and unconventional oil, liquids rich natural gas and dry natural gas as well as exposure to energy infrastructure projects including pipelines, power transmission and facilities construction. Geographically, the Company operates in the Western Canadian Sedimentary Basin (**"WCSB"**) and within certain resource plays in the United States (**"U.S."**), namely the Marcellus in Pennsylvania, the Bakken in North Dakota, and selected areas within the western United States Rockies. As of June 30, 2018, the Company has 23 operating locations throughout North America.

SECOND QUARTER RESULTS

Strad reported a decrease in revenue and EBITDA of 2% and 17%, respectively during the three months ended June 30, 2018, compared to the same period in 2017. During the three months ended June 30, 2018, Strad reported net income of $3.9 million compared to a net loss of $(2.2) million, due to certain tax transactions in the U.S. that resulted in the recognition of a deferred tax recovery of $4.3 million. Strad's second quarter results were impacted by decreased drilling activity in Strad's Canadian operating regions. Decreased average rig counts in western Canada, led to reduced operating activity and revenue from our Canadian Operations. Fewer energy infrastructure projects were taking place in 2018, due to project timing, as compared to 2017, which further impacted Canadian revenue. However, higher rig counts in all three of the U.S. operating regions, resulted in increased revenue year-over-year from our U.S. Operations offsetting a portion of the Canadian Operations decline. Total company EBITDA margin percentage decreased to 17% compared to 20% in the prior year.

During the second quarter of 2018, the Company changed its previous method of calculating EBITDA, by no longer adjusting for gains or losses on foreign exchange or on the sale of property, plant and equipment that occur during the normal course of business.

For the three months ended June 30, 2018, Strad's U.S. Operations reported an increase in revenue and EBITDA of 71% and 256% as compared to the same period in 2017. Net income from U.S. Operations increased from a loss of $(2.1) million in the second quarter of 2017 to income of $4.6 million in the second quarter of 2018. This increase is due to certain tax transactions in the U.S. that resulted in the recognition of a deferred tax recovery of $4.3 million. Rig counts in the Bakken, Marcellus and Rockies regions increased year-over-year by 24%, 13%, and 5% respectively, resulting in increased drilling activity and utilization for the second quarter of 2018 as compared to the same period in 2017. Revenue for the second quarter of 2018 was also impacted by improved customer pricing as compared to the same period in 2017. Second quarter EBITDA increased to $2.4 million, as compared to $0.7 million in the same period of 2017, as a result of the increase in revenue and a lean cost structure in the U.S. due to our focus on reducing overhead costs and discretionary spending.

Strad's Canadian Operations reported a decrease in revenue, EBITDA and net income of 22%, 47% and 74%, respectively, during the three months ended June 30, 2018, compared to the same period in 2017. The decrease in revenue was a result of decreased surface equipment and matting utilization, which declined to 23% and 29%, respectively, as compared to 28% and 63% in the same period in 2017. Further impacting the decline in revenue during the second quarter of 2018 was the decrease in drilling activity and fewer matting projects as compared to the same period in 2017. This was offset by continued improved customer pricing during the second quarter of 2018.

Revenue generated from Strad's energy infrastructure customer vertical decreased to $8.2 million during the second quarter of 2018 compared to $11.0 million in 2017. The decrease in energy infrastructure revenue is a result of fewer matting jobs during the second quarter of 2018, primarily due to the timing of projects in 2018, as compared to the same period in 2017. The energy infrastructure customer vertical continued to be primarily driven by matting in Canada.

During the second quarter of 2018, capital expenditures were $3.9 million in Canada, $0.4 million in Corporate and $2.0 million in the U.S. These were related primarily to wood matting additions in Canada and the U.S., which were acquired to prepare for and to support the energy infrastructure projects expected to begin during the second half of 2018.

During the second quarter of 2018, the Company decided to remove Product Sales as a reportable segment. This decision was a result of the Company no longer manufacturing in-house products.

OUTLOOK

During the second quarter, economic and market conditions remained relatively strong as the North American energy sector continues to recover from the downturn experienced in recent years. Robust West Texas Intermediate ("**WTI**") prices and a pro-investment political environment have led to a resurgence of the oil and gas market in the United States. While the Permian Basin has attracted the most investment, drilling activity increased around other basins where Strad has operations. Rig counts in the Bakken, Marcellus and Rockies regions have all increased year-over-year and we remain well positioned to capitalize on opportunities in these areas.

A strong balance sheet has allowed Strad to repurchase 2.7 million common shares to June 30, 2018. Subsequent to the quarter, we obtained approval from the TSX to increase the number of common shares that the Company can purchase for cancellation under its Normal Course Issuer Bid ("**NCIB**"), to 4.9 million common shares. We will continue to evaluate all options to create value for shareholders, including the repurchase of additional common shares.

Geographic diversification between the United States and Canada continues to benefit the Company as our U.S. Operations contributed $2.4 million in EBITDA for the quarter, an increase of 256% from the prior year. The EBITDA increase is a result of improved customer pricing and higher drilling activity in all three of our U.S. operating regions. To date, U.S. results have been driven primarily by equipment rentals, throughout the rest of 2018 and onward we will focus on expanding our matting offerings in the U.S.

The timing of major infrastructure projects impacted our second quarter results relative to 2017. Canadian operations experienced a year-over-year decline in both revenue and EBITDA of 22% and 47% respectively. Revenue from our energy infrastructure vertical totaled $7.8 million for the second quarter compared to $10.0 million in 2017. In 2017, several major projects were awarded in the first half of the year while larger infrastructure projects in 2018 are expected to be awarded throughout the third and fourth quarter. While the investment climate has been challenging for the Oil and Gas sector in Canada over the past few years, recent announcements provide some renewed optimism for 2018 and early 2019. The commitment by the Federal government to purchase and complete the Trans Mountain Expansion Project increases the likelihood that the initiative will be completed, albeit uncertainty still exists regarding the timing of the construction. The LNG Canada project is expected to make a final investment decision in the second half of the year, which would become the largest active infrastructure project in Canada. These projects, as well as the Coastal Gaslink project which is a sub-set of the LNG Canada project, could provide significant opportunity for the Company if they are approved and move forward in 2019.

Consistent with our focus on the energy infrastructure vertical, the Board approved an incremental increase of the capital budget to $13.0 million to expand our fleet to meet expected customer demand. During the second quarter we invested $5.3 million in the matting fleet. Total capital spending for the quarter was $6.3 million, with year to date spending totaling $11.0 million. In addition to matting, capital spending primarily centered around technology initiatives to drive further efficiencies throughout our operations. We continue to evaluate the size of our capital program on an ongoing basis, and will make additional strategic investments to the extent opportunities justify additional spending.

Our strong balance sheet and free cash flow continue to provide Strad the flexibility to evaluate many alternatives to create shareholder value, including both organic growth opportunities or strategic acquisitions.

RESULTS OF OPERATIONS

Canadian Operations

	Three months ended June 30,			Six months ended June 30,		
($000's)	**2018**	**2017**	**% chg.**	**2018**	**2017**	**% chg.**
Revenue	17,251	22,176	(22)%	36,915	44,615	(17)%
Operating expenses	12,556	14,701	(15)%	26,410	30,381	(13)%
Selling, general and administration	1,624	1,385	17%	3,196	2,819	13 %
Share based payments	65	65	nm	120	148	nm
(Gain) on disposal of property, plant and equipment	(385)	(111)	nm	(469)	(192)	nm
Foreign exchange (gain) loss	50	(183)	nm	52	(270)	nm
Net income	394	1,528	(74)%	1,307	2,857	(54)%
EBITDA(2)	3,341	6,319	(47)%	7,606	11,726	(35)%
EBITDA as a % of revenue	19%	28%		21%	26%	
Capital expenditures(3)	3,910	5,776	(32%)	8,089	7,061	15 %
Total assets	105,542	122,595		105,542	122,595	
Energy infrastructure revenue	7,824	9,971	(22)%	13,461	17,876	(25)%
Energy infrastructure revenue as a % of revenue	45%	45%		36%	40%	
Equipment Fleet:						
Surface equipment fleet at period end(4)	4,190	4,170	nm	4,190	4,170	nm
Average surface equipment fleet(5)	4,060	4,010	nm	4,030	3,990	nm
Average utilization %(6)	23%	28%		30%	34%	
Matting fleet at period end(4)	71,000	64,200	11%	71,000	64,200	11 %
Average matting fleet(5)	69,200	61,000	13%	68,600	59,900	15 %
Average utilization %(6)	29%	63%		27%	52%	
Rig Counts(7)						
Western Canadian Basin	103	113	(9%)	187	205	(9)%

Notes:

(1) In accordance with IFRS 8, due to the removal of the Product Sales segment, results for the three and six months ended June 30, 2017 have been distributed appropriately between Canada and the U.S.

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures and Reconciliations". During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.

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

(4) Surface equipment and matting fleet balances are as at June 30, 2018 and 2017.

(5) Surface equipment and matting fleet balances are averages for the three months ended June 30, 2018 and 2017.

(6) Equipment utilization includes surface and matting equipment on rent only and is calculated using gross asset value.

(7) Source: Baker Hughes "North America Rotary Rig Count". Rig Counts are average rig counts for the period.

Revenue for the three months ended June 30, 2018, of $17.3 million decreased 22% compared to $22.2 million for the same period in 2017. Decreased revenue during the quarter was primarily a result of lower rig counts, which decreased by 9% year-over-year. This led to decreased operating activity in the WCSB and lower utilization rates for both matting and surface equipment, as compared to the same period in 2017. This was offset by improved customer pricing for both matting and surface equipment by 38% and 8% compared to the three months ended June 30, 2017.

During the second quarter, revenue from energy infrastructure projects was $7.8 million or 45% of total revenue for Canadian Operations as compared to $10.0 million or 45% of total Canadian Operations revenue in the second quarter of 2017. The overall decrease in revenue during the second quarter of 2018 is primarily due to fewer energy infrastructure jobs carried over from the prior quarter, in addition to delayed start dates for energy infrastructure projects, as compared to the same period in 2017.

During the second quarter, Strad's matting fleet increased to 71,000 mats at June 30, 2018, compared to 64,200 mats as at June 30, 2017 to meet the expected increase customer demand. Second quarter matting utilization decreased to 29% compared to 63% in the same period of 2017 due to the increased fleet size as compared to the second quarter of 2017, as well as timing of energy infrastructure projects during 2018 compared to 2017.

Net income for the three months ended June 30, 2018, of $0.4 million, decreased 74% compared to $1.5 million for the same period in 2017. The decrease in net income is driven primarily by the decrease in revenue during the second quarter of 2018.

EBITDA for the three months ended June 30, 2018, of $3.3 million, decreased 47% compared to $6.3 million for the same period in 2017. EBITDA as a percentage of revenue, for the three months ended June 30, 2018, decreased to 19% as compared to 28% during the same period in 2017. The decrease in EBITDA is driven primarily by the decrease in revenue during the second quarter of 2018. EBITDA related to product sales for the three months ended June 30, 2018 decreased to $(0.1) million compared to $1.0 million in the same period of 2017.

Revenue for the six months ended June 30, 2018, of $36.9 million decreased 17% compared to $44.6 million for the same period in 2017. Decreased revenue during the quarter was primarily a result of lower rig counts, which decreased by 9% year-over-year. This led to decreased operating activity in the Western Canadian Sedimentary Basin and lower utilization rates for both matting and surface equipment, as compared to the same period in 2017. This was offset by improved customer pricing for both matting and surface equipment by 62% and 17% during the period, as compared to the same period in 2017.

During the first half of 2018, revenue from energy infrastructure projects was $13.5 million or 36% of total revenue for Canadian Operations as compared to $17.9 million or 40% of total Canadian Operations revenue in the same period of 2017. The overall decrease in revenue during the second quarter of 2018 is primarily due to a slower start to the matting season as a result of the longer winter, in addition to fewer energy infrastructure projects , as compared to the same period in 2017.

EBITDA for the six months ended June 30, 2018, of $7.6 million, decreased 35% compared to $11.7 million for the same period in 2017. EBITDA as a percentage of revenue, for the six months ended June 30, 2018, decreased to 21% as compared to 26% in 2017. The decrease in EBITDA is driven primarily by the decrease in revenue during the first half of 2018.

Net income for the six months ended June 30, 2018, of $1.3 million, decreased 54% compared to $2.9 million for the same period in 2017. The decrease in net income is driven primarily by the decrease in revenue during the first half of 2018.

Operating expenses for the three and six months ended June 30, 2018, of $12.6 million and $26.4 million decreased 15% and 13% compared to $14.7 million and $30.4 million for the same period in 2017. The decrease in operating expenses for the second quarter of 2018, as compared to the second quarter of 2017, is due to a decrease in matting related service work.

Selling, general and administrative expenses ("**SG&A**") for the three and six months ended June 30, 2018, of $1.6 million and $3.2 million increased 17% and 13% compared to $1.4 million and $2.8 million for the same period in 2017. SG&A costs increased over the three and six months ended June 30, 2018, as a result of increased headcount for 2018, resulting in increased costs related to salaries and benefits. Further impacting the increase in SG&A for the three and six months ended June 30, 2018, are increased IT services associated with technology enhancements.

U.S. Operations

($000's)	Three months ended June 30, 2018	2017	% chg.	Six months ended June 30, 2018	2017	% chg.
Revenue	10,784	6,318	71 %	19,484	11,539	69 %
Operating expenses	7,446	4,807	55 %	12,601	8,873	42 %
Selling, general and administration	1,282	861	49 %	2,503	1,757	42 %
Share based payments	15	14	nm	28	32	nm
(Gain) on disposal of property, plant and equipment	(339)	(37)	nm	(3)	(35)	nm
Foreign exchange loss	—	—	nm	3	—	nm
Net income (loss)	4,612	(2,056)	nm	4,499	(4,263)	nm
EBITDA(2)	2,379	669	256 %	4,352	920	373 %
EBITDA as a % of revenue	22%	11%		22%	8%	
Capital expenditures(3)	1,981	488	306 %	2,151	2,673	(20)%
Total assets	64,762	67,188		64,762	67,188	
Energy infrastructure revenue	352	1,013	(65)%	698	1,517	(54)%
Energy infrastructure revenue as a % of revenue	3%	16%		4%	13%	
Equipment Fleet:						
Surface equipment fleet at period end(4)	1,910	1,930	nm	1,910	1,930	nm
Average surface equipment fleet(5)	1,930	2,010	nm	1,990	2,010	nm
Average utilization %(6)	51%	25%		49%	25%	
Matting fleet at period end(4)	21,200	18,500	15 %	21,200	18,500	15 %
Average matting fleet(5)	18,900	18,300	3 %	18,600	17,000	9 %
Average utilization %(6)	32%	29%		30%	24%	
Rig Counts (7)						
Bakken	56	45	24 %	52	41	27 %
Marcellus	79	70	13 %	78	66	18 %
Rockies	65	62	5 %	68	57	19 %

Notes:

(1) In accordance with IFRS 8, due to the removal of the Product Sales segment, results for the three and six months ended June 30, 2017 have been distributed appropriately between Canada and the U.S.

(2) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures and Reconciliations". During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.

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

(4) Surface equipment and matting fleet balances are as at June 30, 2018 and 2017.

(5) Surface equipment and matting fleet balances are averages for the three months ended June 30, 2018 and 2017.

(6) Equipment utilization includes surface and matting equipment on rent only and is calculated using gross asset value.

(7) Source: Baker Hughes "North America Rotary Rig Count". Rig Counts are average rig counts for the period.

Revenue for the three months ended June 30, 2018, increased 71% to $10.8 million from $6.3 million for the same period in 2017. The increase in revenue is due to a combination of higher surface equipment and matting utilization rates of 51% and 32% as compared to 25% and 29% in the same period of 2017, as well as improved customer pricing in both surface equipment and matting of 24% and 32%, respectively, as compared to the three months ended June 30, 2017. The improvements in utilization and customer pricing is driven by the increased drilling activity when compared to the same period in 2017. Average rig counts in the Bakken, Marcellus and Rockies regions increased by 24%, 13%, and 5%, respectively, during the second quarter of 2018 compared to the same period in 2017.

During the second quarter, revenue from energy infrastructure projects decreased to $0.4 million as compared to $1.0 million in the same period of 2017. Energy infrastructure revenue as a percentage of total revenue decreased to 3%, compared to 16% in the same period of 2017. The decrease in energy infrastructure revenue is primarily due to fewer projects in 2018 compared to the same period in 2017.

The U.S. matting fleet as at June 30, 2018, increased to 21,200 mats compared to 18,500 mats during the same period in 2017. The increase in mats during 2018 is to support future expected demand for U.S. customers.

Net income for the three months ended June 30, 2018, increased to $4.6 million compared to a loss of $(2.1) million for the same period in 2017. The significant decrease in net loss is primarily due to certain tax transactions in the U.S. that resulted in the recognition of a deferred tax recovery of $4.3 million. The remainder of the change is due to higher revenue and lower depreciation expense.

EBITDA for the three months ended June 30, 2018, increased to $2.4 million compared to $0.7 million for the same period in 2017. EBITDA as a percentage of revenue, for the three months ended June 30, 2018, was 22% compared to 11% for the same period in 2017. The significant increase in both EBITDA and EBITDA as a percentage of revenue is primarily due to higher revenue. EBITDA related to product sales for the three months ended June 30, 2018 decreased to $(0.2) million compared to $0.1 million in the same period of 2017.

Revenue for the six months ended June 30, 2018, increased 69% to $19.5 million from $11.5 million for the same period in 2017. The increase in revenue is due to a combination of higher surface equipment and matting utilization rates of 49% and 30% as compared to 25% and 24% for the same period of 2017. Further driving improved revenue is increased customer pricing in both surface equipment and matting, which increased by 34% and 56%, as compared to the six months ended June 30, 2017. The improvements in utilization and customer pricing is driven by the increased drilling activity when compared to the same period in 2017. Average rig counts in the Bakken, Marcellus and Rockies regions increased by 27%, 18%, and 19%, respectively, during the second quarter of 2018 compared to the same period in 2017.

During the first half of 2018, revenue from energy infrastructure projects was $0.7 million or 4% of total revenue for U.S. Operations, compared to $1.5 million or 13% in the same period of 2017.The decrease in revenue from energy infrastructure projects is primarily due to fewer matting jobs for the period ending June 30, 2018, as compared to the same period in 2017.

Net income for the six months ended June 30, 2018, increased to $4.5 million compared to a loss of $(4.3) million for the same period in 2017. The increase in net income is primarily due to certain tax transactions in the U.S. that resulted in the recognition of a deferred tax recovery of $4.3 million. The remainder of the change is due to higher revenue.

EBITDA for the six months ended June 30, 2018, increased to $4.4 million compared to $0.9 million for the same period in 2017. EBITDA as a percentage of revenue, for the six months ended June 30, 2018, was 22% compared to 8% for the same period in 2017. The significant increase in both EBITDA and EBITDA as a percentage of revenue is primarily due to higher revenue and a lean cost structure.

Operating expenses for the three and six months ended June 30, 2018, of $7.4 million and $12.6 million, increased 55% and 42% as compared to $4.8 million and $8.9 million for the same period in 2017. The increase in operating expenses during the three and six months ended June 30, 2018, is a result of increased activity levels due to the increase in average rig counts.

SG&A costs for the three and six months ended June 30, 2018, of $1.3 million and $2.5 million increased 49% and 42% compared to $0.9 million and $1.8 million for the same period in 2017. The change in SG&A expenses for the second quarter of 2018, is due to the increased head count for 2018, resulting in increased costs related to salaries and benefits.

Corporate

SG&A expenses are largely allocated to the individual operating segments and reflected in the EBITDA performance discussed previously. The remaining unallocated corporate costs consist of head office infrastructure and general corporate costs. Corporate costs for the three and six months ended June 30, 2018, were $0.9 million and $1.9 million compared to $1.1 million and $2.1 million for the same period in 2017. Corporate costs for 2017 included one time acquisition related costs of $0.1 million, which did not occur in the second quarter of 2018. Corporate costs as a percentage of total revenue during the three months ended June 30, 2018, decreased to 3% compared to 4% for the three months ended June 30, 2017 and remained consistent at 3% for the six months ended June 30, 2018 and 2017.

Depreciation and Amortization

Depreciation and amortization related to property, plant and equipment, intangible assets and other assets decreased to $5.2 million and $10.7 million for the three and six months ended June 30, 2018, compared to $7.6 million and $14.0 million for the same period in 2017. The decrease in depreciation expense was related to capital divestitures of $11.0 million in 2018 compared to $6.9 million in 2017. Further contributing to the decrease in depreciation year-over-year is accelerated depreciation charges of $0.6 million recognized during the second quarter of 2017, which pertained to assets with no remaining useful life, that did not occur in 2018.

Interest Expense

Interest expense totaled $0.2 million and $0.3 million for the three and six months ended June 30, 2018, compared to $0.5 million and $1.0 million for the same period in 2017. The decrease in interest expense during 2018 is due to a lower average funded debt balance during the second quarter of 2018 as compared to the same period of 2017, as well as lower interest rates year-over-year. Funded debt, as defined in the Company's credit facility agreement, for the six months ended June 30, 2018, was $6.2 million compared to $21.1 million for the same period in 2017.

(Gain) loss on Foreign Exchange

The loss on foreign exchange for the three and six months ended June 30, 2018, was $0.1 million and $0.1 million compared to a gain of $(0.1) million and $(0.1) million for the same period in 2017. The Company is exposed to foreign currency fluctuations as certain balances within working capital may vary due to changing Canada/U.S. exchange rates. The Company has exposure to U.S. dollars since a portion of the Company's customers and vendors transact in USD and the Company reports in CAD. The Canadian dollar has weakened by 1% against the U.S. dollar over the past year (1 CAD = 0.76 USD as at June 30, 2018, compared to 1 CAD = 0.77 USD as at June 30, 2017).

Income Taxes

For the six months ended June 30, 2018, the Company recorded a loss before income taxes of $0.9 million and incurred current income tax of $10 thousand and deferred income tax recovery of $4.4 million, compared to a current income tax expense of $nil and deferred income tax expense of $14 thousand for the same period in 2017. The deferred income tax expense, or recovery, represents timing differences between accounting book value and tax basis. The anticipated amount and timing of expense or recovery of deferred taxes will be dependent upon the Company's actual results, and the actual acquisition and disposition of assets and liabilities.

The overall effective tax rate was 475% for the six months ended June 30, 2018, compared to (0.3)% for the same period in 2017. The significant increase is due to the completion of certain transactions resulting in a taxable foreign exchange gain recorded directly within other comprehensive income. The foreign exchange gain was entirely offset by tax loss carryforwards in the Company's U.S. operations for which no deferred tax asset was previously recognized. As a result, the Company recorded a deferred tax recovery of $4.3 million in the consolidated statement of income (loss) arising from the recognition of certain previously unrecognized tax loss carryforward amounts.

SUMMARY OF QUARTERLY RESULTS

($000's, except per share amounts)	Three months ended Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Revenue	28,035	28,364	27,522	33,923
EBITDA[(1)]	4,830	5,263	5,059	9,439
Net income (loss)	3,861	(397)	(3,364)	598
Per share ($), basic	0.07	(0.01)	(0.06)	0.01
Per share ($), diluted	0.07	(0.01)	(0.06)	0.01

Notes:

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures and Reconciliations". During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business.

($000's, except per share amounts)	Three months ended Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
Revenue	28,494	27,660	27,263	20,277
EBITDA[(1)]	5,799	4,661	4,764	1,265
Net loss	(2,163)	(2,347)	(3,105)	(3,746)
Per share ($), basic	(0.04)	(0.04)	(0.06)	(0.09)
Per share ($), diluted	(0.04)	(0.04)	(0.06)	(0.09)

Notes:

(1) Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a recognized measure under IFRS, and, accordingly, Strad's use of such a term may not be comparable to similarly defined measures presented by other entities; see "Non-IFRS Measures and Reconciliations". During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business.

Strad's quarterly performance has historically been affected by seasonal variations in the WCSB. The Company has geographically diversified its operations where approximately 46% of Strad's gross capital assets are located in the U.S. Most regions in the U.S. do not normally experience the same seasonal reduction in drilling activity that the WCSB does in the second quarter. Strad's product diversity helps further mitigate seasonal variations. In Canada, the demand for matting products is typically minimal during the first quarter, much stronger in the second and third quarter, and then decreases through the end of the year. However, energy infrastructure related projects have the potential to create more demand for matting during non-peak seasons as this customer vertical continues to grow but is largely dependent on project timing. Demand for surface equipment is typically strong in the first quarter, decreases in the second quarter, and then increases over the next two quarters.

The increase in revenue and net income for the third quarter of 2017 was due to significantly improved drilling activity across North America as a result of recovering commodity prices. This lead to improved customer pricing and utilization during the third quarter of 2017, which contributed to the improved results.

LIQUIDITY AND CAPITAL RESOURCES

($000's)	**June 30, 2018**	**December 31, 2017**
Current assets	29,800	31,899
Current liabilities	14,473	12,282
Working capital(1)	15,327	19,617
Banking facilities		
Operating facility	—	—
Syndicated revolving facility	6,370	10,776
Total facility borrowings	6,370	10,776
Total credit facilities(2)	48,500	48,500
Unused credit capacity	42,130	37,724

Notes:

(1) *Working capital is calculated as current assets less current liabilities, as derived from the Company's consolidated statement of financial position.*

(2) *Facilities are subject to certain limitations on accounts receivable, inventory, and net book value of fixed assets and are secured by a general security agreement over all of the Company's assets. As at June 30, 2018, Strad had access to $48.5 million of credit facilities.*

As at June 30, 2018, working capital was $15.3 million compared to $19.6 million at December 31, 2017. The change in current assets is a result of a 8% decrease in accounts receivable to $24.0 million for the second quarter of 2018 compared to $26.0 million for the fourth quarter of 2017. The decrease in accounts receivable is due to the decrease in Canadian Operations revenue. Inventory increased by 45% to $2.6 million at June 30, 2018, from $1.8 million at December 31, 2017. The increase in inventory is due to the build-up of wood mat inventory, which are available for sale to customers or if client demand increases, can be transferred to the Company's fleet. Prepaid expenses increased 40% at June 30, 2018, as compared to December 31, 2017. The increase in prepaids relates to the normal course of business.

The change in current liabilities is a result of a 20% increase in accounts payable and accrued liabilities to $14.3 million at June 30, 2018, compared to $11.9 million at year end. The increase in accounts payable is primarily due to the timing of payments made for the second quarter of 2018.

Cash flow from operating activities for the six months ended June 30, 2018, increased to $16.1 million compared to $6.6 million for the six months ended June 30, 2017, due to a lower net loss, increased cash generated from used fleet sales, and lower non-cash working capital. Funds from operations for the three months ended June 30, 2018, increased to $7.1 million compared to $6.1 million for the three months ended June 30, 2017. Capital expenditures totaled $6.3 million for the three months ended June 30, 2018. Management monitors funds from operations and the timing of capital additions to ensure adequate capital resources are available to fund Strad’s capital program.

As at June 30, 2018, the Company’s syndicated banking facility consists of an operating facility with a maximum principal amount of $7.0 million CAD and $5.0 million USD, and a $36.5 million CAD syndicated revolving facility, both of which are subject to certain limitations on accounts receivable, inventory, and net book value of fixed assets and are secured by a general security agreement over all of the Company’s assets. As at June 30, 2018, the Company had access to the maximum credit facilities. The syndicated banking facility will mature on September 29, 2020. The syndicated banking facility bears interest at bank prime plus a variable rate, which is dependent on the Company’s funded debt to covenant EBITDA ratio.

Based on the Company's funded debt to covenant EBITDA ratio, the interest rate on the syndicated credit facility is bank prime plus 0.50% on prime rate advances and at the prevailing rate plus a stamping fee of 1.50% on bankers' acceptances. For the three months ended June 30, 2018, the overall effective rates on the operating facility and revolving facility were 3.88% and 4.03%, respectively. As of June 30, 2018, $nil was drawn on the operating facility and $6.4 million was drawn on the revolving facility. Required payments on the revolving facility are interest only.

As at June 30, 2018, the Company was in compliance with all of the financial covenants under its credit facilities.

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

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

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

Financial Debt Covenants	**As at June 30, 2018**	**As at December 31, 2017**
Funded debt to EBITDA ratio (not to exceed 3.0:1)		
Funded debt	6,183	9,768
Covenant EBITDA	24,499	25,339
Ratio	0.3	0.4
EBITDA to interest coverage ratio (no less than 3.0:1)		
Covenant EBITDA	24,499	25,339
Covenant Interest expense	622	1,225
Ratio	39.4	20.7

CONTRACTUAL OBLIGATIONS

The Company’s contractual obligations as at June 30, 2018, were as follows:

(000's)	**Total**	**1 Year or Less**	**2-3 Years**	**4+ Years**
Finance leases	386	168	218	—
Operating leases	16,108	2,507	8,044	5,557
Total commitments	16,494	2,675	8,262	5,557

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

OUTSTANDING COMPANY SHARE DATA

	As of August 8, 2018
Common shares	57,303,820
Options	2,266,000
Fully diluted common shares	59,569,820

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2018, the Company had no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management includes the Company’s members of the Executive Management Team.

	June 30, 2018	For the period ended December 31, 2017
Opening balance	691	995
Repayment of share purchase loan	—	(304)
	691	691

Certain key management personnel have loans outstanding totaling $0.7 million from the Company. Proceeds of the loans were used to purchase common shares of the Company, which were then used to secure these loans. The loan balances are non-interest bearing for the first three years the loans are outstanding, unless further extensions are approved by the Board of Directors. During the first quarter of 2018 an extension for the loans were approved by the Board of Directors. After the interest waived period, the notes bear interest at the prime lending rate per annum established by the Company's bank, plus 1% interest. The loans are required to be repaid in full on the maturity date, being 10 years from the date of issuance.

For the period ended June 30, 2018, there were loan advances of $nil made to key management (year-ended December 31, 2017 - $nil) and $nil of shareholder loans were settled (year-ended December 31, 2017 - $0.3 million).

For the period ended June 30, 2018, interest of $nil was charged by the Company on loans to key management (year-ended December 31, 2017 - $nil) and interest repayments of $nil were received (year-ended December 31, 2017 – $nil).

The Company has entered into a consulting services agreement and lease agreements with an entity wholly owned by Lyle Wood, a member of the Company’s Board of Directors. The Company makes payments of $59,500 per month to Mr. Wood for advisory services related to ongoing business development activities and for rent related to yard and office space in Fort Nelson, BC and Fort St. John B.C. For the six months ended June 30, 2018, the total amount paid for these services was $0.4 million (June 30, 2017 - $0.3 million) with $nil outstanding at June 30, 2018 (June 30, 2017 - $0.1 million).

CRITICAL ACCOUNTING ESTIMATES

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

Amounts recorded for depreciation and amortization are based on the estimated useful lives and residual values of the underlying assets. Useful lives and residual values are based on Management's best estimate using knowledge of past transactions and experience and industry practice, 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.

The Company used the Black-Scholes model to determine the fair value of certain share-based payments. The inputs to these models are based on various estimates such as volatility, dividend yield, interest rates and the expected term. The Company uses historical informational trends to determine the best estimates to use. Management reviews these estimates for each new award granted.

Inventory is to be carried at the lower of cost and net realizable value. Management regularly reviews the estimates associated with net realizable value, which is the selling price prevailing in the market, less any costs to sell. Significant changes in economic and business conditions could impact the timing and magnitude of impairment charges in inventory.

The Company makes estimates of the fair value of assets and liabilities assumed in a business combination, which includes estimates of the fair value of property, plant and equipment, working capital, debt, and obligations under capital leases.

The Company makes estimates when determining the recoverable amount of assets subject to impairment testing. The recoverable amount of assets are determined using the greater of fair value less costs of disposal and value-in-use. Fair value less costs of disposal and value-in-use calculations require the use of estimates, assumptions, and judgments. Value-in-use calculations require management estimates regarding projected future sales, earnings, capital investment and, discount rates. Fair value less costs of disposal requires management to make estimates of future sales, earnings and capital investment, discount rates, and capitalization rates, as well as estimations of costs to sell. The estimates are reviewed each time an impairment calculation is required.

Deferred tax assets and liabilities contain estimates about the nature and timing of future permanent and temporary differences. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. 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. Management reviews current and potential changes to tax law and bases estimates on the most relevant information available.

When there is objective evidence that the full collection of accounts receivable is unlikely, Management will estimate the most likely amount to be recovered. Amounts estimated are based on the best available information at the time the estimate is made.

New standards, amendments and interpretations issued:

a. IFRS 9 "Financial Instruments"

On January 1, 2018, the Company adopted IFRS 9, "Financial Instruments" ("**IFRS 9**"), which was issued by the IASB on July 24, 2014 to replace International Accounting Standard 39, "Financial Instruments: Recognition and Measurement." This standard was adopted by the Company retrospectively without requiring restatement of prior year balances.

Classification of financial assets

Under IFRS 9, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income ("**OCI**"), or through profit or loss), and

- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("**FVOCI**").

The assets, including cash and cash equivalents, that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses.

Impairment of financial assets

From January 1, 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

On that basis the loss allowance as at January 1, 2018 was determined as follows for trade receivables:

January 1, 2018	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate	0.4%	0.7%	2.1%	5.2%	
Gross carrying amount	15,220	6,081	3,283	2,115	26,699
Loss allowance	61	43	69	110	283
Loss allowance based on specific customers	—	—	—	384	384
Total loss allowance	61	43	69	494	667

The loss allowances for trade receivables as at December 31, 2017 reconcile to the total opening loss allowances noted in the table above.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgment in making these assumptions and selecting inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the table above.

b. *IFRS 15 "Revenue From Contracts With Customers"*

On January 1, 2018 the Company adopted IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"), which was issued on May 28, 2014 to replace IAS 11 "Construction contracts", IAS 18 "Revenue" and several revenue-related interpretations. The Company has adopted the new standard using the modified retrospective approach. As such, the Company has used the practical expedient not to restate the contracts which were considered completed contracts at the beginning of the earliest period presented.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payments by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Classification of Revenue

(i) Services:

The Company performs services based upon service orders with customers that include fixed prices based upon 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 owed to the Company is considered probable. Service work performed by the Company can include, but are not limited to transportation, cleaning services and maintenance.

(ii) Sale of goods:

Revenue for the sale of goods (inventories or rental assets) is recognized when it is probable that the economic benefits will flow to the Company, 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. Depending on the delivery conditions, title and risk have passed to the customer and acceptance of the product, when contractually required, has been obtained when delivery has occurred.

Future accounting policy and disclosures

On January 13, 2016, the IASB issued IFRS 16, "*Leases*" ("IFRS 16"), which requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases. IFRS 16 is effective for years beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 "*Revenue From Contracts With Customers*" has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 16 on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have designed, or have caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurances that (i) material information relating to the Company is made known to the Corporation's Chief Executive Officer and Chief Financial Officer by others, particularly during the period of time in which the annual and interim filings are being prepared; and (ii) the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. They are assisted in this responsibility by the Company's Management team. These disclosure controls and procedures include controls and procedures which have been designed to ensure that the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is accumulated and communicated to the Company's Management to allow timely decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing, establishing, and maintaining internal controls over financial reporting; as such term is defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings. The Chief Executive Officer and Chief Financial Officer of the Company certify on a quarterly and annual basis that senior management has designed such internal controls over financial reporting ("ICFR"), or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

During the three months ended June 30, 2018, there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

RISKS AND UNCERTAINTIES

The operations of Strad face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on the Company's financial condition and results of operations. These risks and uncertainties have not materially changed from those described in detail in Strad's most recent Annual Information Form, filed March 27, 2018, which is available on SEDAR at www.sedar.com.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this MD&A constitute forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words "expect", "plan", "continue", "estimate", "anticipate", "potential", "targeting", "intend", "could", "might", "should", "believe", "may", "predict", or "will" and similar expressions are intended to identify forward-looking information or statements. More particularly, this MD&A contains forward-looking statements concerning future capital expenditures of the Company, including its 2018 capital budget, planned allocations of capital expenditures, and funding thereof, by way of cash flow, anticipated cash flow, debt, anticipated demand for the Company's products and services in 2018, and anticipated revenue allocations amongst our service offerings, drilling activity in North America, pricing of the Company's products and services, and expectations for 2018 and potential for improved profitability, and the potential for growth and expansion of certain components of the Company's business, including further additions to our matting fleet, expanding our matting offerings in the U.S., anticipated benefits from cost reductions and timing thereof, manufacturing capacity to meet anticipated demand for the Company's products, and expected exploration and production industry activity including the effects of industry trends, including the potential of LNG infrastructure, on demand for the Company's products. These statements relate to future events or to the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements.

Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this MD&A. The forward-looking information and statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates, and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. Such information and statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements. In addition to other material factors, expectations, and assumptions which may be identified in this MD&A and other continuous disclosure documents of the Company referenced herein, assumptions have been made in respect of such forward-looking statements and information regarding, among other things: the Company will continue to conduct its operations in a manner consistent with past operations; the general continuance of current industry conditions; anticipated financial performance, business prospects, impact of competition, strategies, the general stability of the economic and political environment in which the Company operates; exchange and interest rates; tax laws; the sufficiency of budgeted capital expenditures in carrying out planned activities; the availability and cost of labour and services and the adequacy of cash flow; debt and ability to obtain financing on acceptable terms to fund its planned expenditures, which are subject to change based on commodity prices; market conditions and future oil and natural gas prices; and potential timing delays. Although Management considers these material factors, expectations, and assumptions to be reasonable based on information currently available to it, no assurance can be given that they will prove to be correct.

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

NON-IFRS MEASURES AND RECONCILIATIONS

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

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is not a recognized measure under IFRS. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company’s principal business activities prior to consideration of how those activities are financed or how the results are taxed. As of June 30, 2018, the Company implemented changes to its method of calculating EBITDA, which no longer includes adjustments for gains and losses due to foreign exchange or disposal of property, plant and equipment that occur during the normal course of business. EBITDA is now calculated as net income (loss) before interest, taxes, and depreciation and amortization. Segmented EBITDA is based upon the same calculation for defined business segments, which are comprised of Canadian Operations and U.S. Operations. The Company’s method of calculating EBITDA may differ from that of other organizations and, accordingly, its EBITDA may not be comparable to that of other companies.

Funds from operations are cash flow from operating activities excluding changes in non-cash working capital. Funds from operations is a non-IFRS measure commonly used in the energy services industry to assist in measuring a company's ability to finance its capital programs, debt repayments and other financial obligations. Funds from operations is not intended to represent net cash generated from operating activities or other measures of financial performance in accordance with IFRS. It is a supplemental measure to gauge performance of the Company before non-cash items. Working capital is calculated as current assets minus current liabilities, as derived from the Company's consolidated statement of financial position. Working capital, cash forecasting, and banking facilities are used by Management to ensure funds are available to finance growth opportunities.

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

Reconciliation of Funds from Operations

($000's)

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Net cash generated from operating activities	9,644	3,031	16,123	6,572
Less:				
Changes in non-cash working capital	2,535	(3,045)	2,543	(5,031)
Funds from Operations	7,109	6,076	13,580	11,603

Reconciliation of EBITDA

($'000's)

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net income (loss):	3,861	(2,163)	3,464	(4,512)
Add (deduct):				
Depreciation and amortization	5,240	7,572	10,672	13,955
Income tax (recovery) expense	(4,428)	(102)	(4,390)	14
Interest expense	157	492	347	1,002
EBITDA(1)	4,830	5,799	10,093	10,459

(1) During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.

Reconciliation of quarterly non-IFRS measures

($'000's)

	Three months ended			
	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017
Net income (loss):	$ 3,861	$ (397)	$ (3,364)	$ 598
Add (deduct):				
Depreciation and amortization	5,240	5,432	8,918	7,359
Income tax (recovery) expense	(4,428)	38	(653)	1,123
Interest expense	157	190	158	359
EBITDA(1)	4,830	5,263	5,059	9,439

(1) During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.

	Three months ended			
	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016
Net loss:	$ (2,163)	$ (2,347)	$ (3,105)	$ (3,746)
Add (deduct):				
Depreciation and amortization	7,572	6,383	7,610	4,930
Income tax (recovery) expense	(102)	116	(199)	(281)
Interest expense	492	509	458	362
EBITDA(1)	5,799	4,661	4,764	1,265

(1) During the second quarter of 2018, the Company changed the method of calculation for EBITDA by no longer adjusting for gains or losses resulting from foreign exchange or the disposal of property, plant and equipment during the normal course of business. These changes have been updated for prior period balances.

Reconciliation of funded debt

($'000's)

	Six months ended June 30, 2018	Year-ended December 31, 2017
Bank indebtedness (cash) at syndicate banks	(573)	(1,626)
Long term debt	6,370	10,776
Current and long term obligations under finance lease	386	618
Funded Debt	6,183	9,768