

IROC Systems Corp.
Consolidated Balance Sheet
At March 31, 2001
(unaudited)

	<u>2001</u>	<u>2000</u>
Assets		
Current		
Cash and short term investments	\$ 616,075	\$ 1,652,949
Accounts receivable	632,544	190,214
Inventory	3,483	0
Prepaid expenses and deposits	44,653	62,422
Income taxes recoverable	24,374	56,719
Future income taxes	28,600	0
Current portion lease receivable	<u>14,400</u>	<u>0</u>
	1,364,129	1,962,304
Lease receivable	8,400	0
Capital	2,390,435	386,255
Future Income Taxes	94,000	0
Goodwill	<u>50,000</u>	<u>0</u>
	<u>\$ 3,906,964</u>	<u>\$ 2,348,559</u>
Liabilities		
Current		
Short term bank loan	\$ 230,000	\$ 0
Accounts payable and accrued liabilities	737,379	78,510
Future income taxes	0	12,000
Current portion of long term debt	<u>31,000</u>	<u>11,395</u>
	998,379	101,905
Long Term Debt	137,555	2,880
Future Income Taxes	<u>0</u>	<u>3,000</u>
	<u>1,135,934</u>	<u>107,785</u>
Shareholders' Equity		
Share Capital	2,135,867	1,563,208
Retained Earnings	<u>635,163</u>	<u>677,566</u>
	<u>2,771,030</u>	<u>2,240,774</u>
	<u>\$ 3,906,964</u>	<u>\$ 2,348,559</u>

Approved by the Board

"Brian Neeland"
Director

"Trevor Hillman"
Director

IROC Systems Corp.
Consolidated Statement of Income and Retained Earnings
For the Three Months March 31, 2001
(unaudited)

	<u>2001</u>	<u>2000</u>
Revenues	\$ 763,449	\$ 252,955
Expenses		
Direct		
Travel and subsistence	57,790	28,463
Wages and subcontract	322,502	42,505
Automotive operating	51,127	28,629
Marketing	10,134	11,075
Occupancy	12,463	0
Communication	5,967	984
Other	<u>13,283</u>	<u>6,517</u>
	<u>473,266</u>	<u>118,173</u>
Administrative		
Communication	2,194	2,364
Professional services and fees	7,723	16,893
Wages and subcontract	56,553	18,469
Other	4,252	2,724
Occupancy	<u>12,693</u>	<u>10,869</u>
	<u>83,415</u>	<u>51,319</u>
Income before equipment sales	<u>206,768</u>	<u>83,463</u>
Equipment sales		
Revenue	58,840	11,600
Cost of sales	<u>49,599</u>	<u>10,779</u>
	<u>9,241</u>	<u>821</u>
Income before other items	<u>216,009</u>	<u>84,284</u>
Research and development (net of tax credits)	0	28,134
Amortization	142,263	27,152
Gain on disposal of capital assets	(69,939)	(22,010)
Interest income	<u>(1,169)</u>	<u>(165)</u>
	<u>71,155</u>	<u>33,111</u>
Income before income taxes	144,854	51,173
Income taxes	<u>66,000</u>	<u>13,000</u>
Net income for the period	78,854	38,173
Retained earnings, beginning of period	<u>556,309</u>	<u>639,393</u>
Retained earnings, end of period	<u>\$ 635,163</u>	<u>\$ 677,566</u>
Earnings per share		
Basic	0.008	0.004
Fully diluted	0.006	n/a

IROC Systems Corp.
Consolidated Statement of Cash Flows
For the Three Months March 31, 2001
(unaudited)

	<u>2001</u>	<u>2000</u>
Cash Provided By (Used For) The Following		
Operating Activities		
Net income (loss) for the period	\$ 78,854	\$ 38,173
Amortization	142,263	27,152
Future income taxes	0	(13,000)
Gain on sale of capital assets	(69,939)	(22,010)
Net changes in working capital balances	<u>393,715</u>	<u>(279,821)</u>
	<u>544,893</u>	<u>(249,506)</u>
Financing Activities		
Lease receivable receipts	3,600	0
Repayment of long term debt	(5,038)	(2,880)
Issue of shares (net of share issue costs)	<u>(6,175)</u>	<u>1,563,008</u>
	<u>(7,613)</u>	<u>1,560,128</u>
Investing Activities		
Purchase of capital assets	(1,014,942)	0
Proceeds on sale of capital assets	<u>161,162</u>	<u>166,416</u>
	<u>(853,780)</u>	<u>166,416</u>
Increase (decrease) in cash for the period	(316,500)	1,477,038
Cash beginning of period	<u>922,575</u>	<u>165,911</u>
Cash end of period	<u>\$ 606,075</u>	<u>\$ 1,642,949</u>
Represented by:		
Cash	\$ 305,158	\$ 1,642,949
Short term investments	<u>300,917</u>	<u>0</u>
	<u>\$ 606,075</u>	<u>\$ 1,642,949</u>
Funds from operation		
Basic	0.053	(0.029)
Fully diluted	0.045	n/a

To our shareholders,

On behalf of the Board I am pleased to present IROC System Corp.'s financial results for our first quarter ended March 31, 2001.

Revenues for the quarter were \$763,449, as compared to \$252,955 for the quarter ended March 31, 2000, an impressive increase of 202%.

The increase in revenues is attributable to four factors. Firstly in late 2000, a decision was made to construct 30 breathing air trailers versus 15, as our supplier offered a significant discount if we placed the larger order. The demand for the trailers has been high, resulting in increased revenues. Secondly, it was not until March of 2001 that a number of SMART units were actually in operation. At the end of the quarter there were six units in operation. Thirdly, included in 2001 there are revenues from hot shot services, due to the acquisition of Elite Hot Shot Services. Finally, we are reaping the rewards from the sales team that was formed in late 2000, they continue to aggressively market both breathing air trailers and the SMART system.

Direct expenses for the quarter were \$473,266, an increase over the 2000 quarter by \$355,093. The majority of the increase is due to the increase in direct wages and sub-contract. We added our sales team, we now have a hot shot division, and SMART wages and sub-contract are now fully expensed as the R&D was all complete by December 31, 2000.

General and administrative expenses were \$83,415 for the three months ended March 31, 2001, as compared to \$51,319 for the three months ended March 31, 2000. Again the majority of the increase is attributable to wages and sub-contract. It was during the first quarter that we ramped up our administrative staff, which now includes a full time controller. We use sub-contractors on a part time basis to keep these costs to a minimum.

The Corporation has equipment sales and a gain on sale of capital assets as it sold two new trailers and four used trailers. These proceeds were added to IROC's general funds.

Amortization expenses increased by over \$115,000 as our 28 newly constructed air breathing trailers and 24 SMART units are now operational.

IROC has recently partnered with Safety Hawk Services Inc. under a joint venture company – IROC/Safety Hawk Industrial Services Inc. The joint venture provides shutdown services to the Oil and Gas Industry.

In closing I would like to thank our staff and senior officers for their dedicated efforts. Also, thank-you to the board of directors for their valuable contribution. And finally, a thank-you to you, our shareholders, for your confidence in our company.

Sincerely yours,

Dennis Featherstone

Corporate Information

Head Office

#201, 4922 - 53 Street Red Deer, AB T4N 2E9

Registered Office

C/O Shea Nerland Calnan
#1900, 715 - 5 Ave SW Calgary, AB T2P 2X6

Directors and Officers

Brian Neeland	Chairman of the Board and Director
Dennis Featherstone	Director, President & Chief Executive Officer
Trevor Hillman	Director
John Roth	Director
Darcy Will	Director nominee
Tim Sebastian	Executive Vice-President, Secretary & Corporate Counsel
Dennis Page	Vice-President, Marketing
Allan Slobodian, CA	Chief Financial Officer
Dagmar Knutson, CA	Controller
Laura Featherstone	Assistant Controller

Principal Bank

Community Savings Red Deer, Alberta

Legal Counsel

Shea Nerland Calnan
Barristers and Solicitors Calgary, Alberta

Gerig Hamilton Neeland
Barristers and Solicitors Red Deer, Alberta

Auditors

Meyers Norris Penny LLP Red Deer, Alberta

Transfer Agent

Computershare Investors Services Calgary, Alberta

Trading Symbol

IRC Canadian Venture Exchange

Website

www.iroccorp.com

IROC Systems Corp.

First Quarter Interim Report

For the Period Ended March 31, 2001

(unaudited)

(these consolidated financial statements contain the accounts of IROC Systems Corp. and its wholly owned subsidiary Cori Monitoring Systems Inc.)