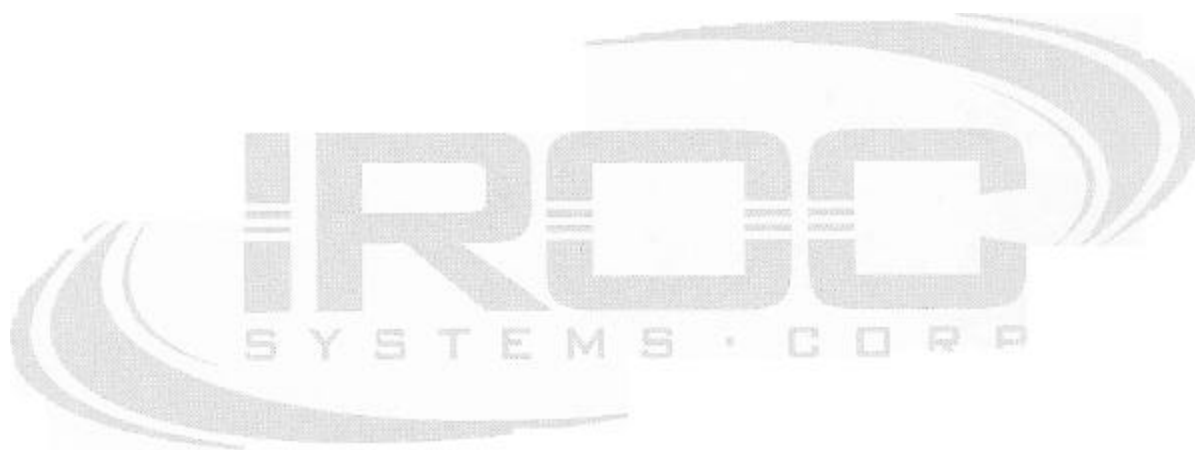




2003 SECOND QUARTER REPORT

(UNAUDITED)



Report Contents

TSX VENTURE: ISC

JUNE 30, 2003

Partnerships

in HEALTH and SAFETY

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PROFILE

IROC Systems Corp. (“IROC” or the “Company”) is a Canadian oilfield service company supplying safety and environmental equipment and personnel to the oil and gas industry. Founded in 1982 and entering the public market in 2000, the Company was created to respond to the employee and public protection concerns of the oil and gas industry. IROC has consistently addressed the safety needs of gas plants, pipelines, and drilling or serving operations by designing unique, proactive industry leading safety solutions.

Our equipment is widely considered to set the bar in terms of quality and innovation. IROC’s breathing air trailers are proprietary in their design and incorporate industrial specification components to operate in the harsh environment of Western Canada. The air/office units have long been regarded as “best of class” while our monitoring systems have been considered unique and state of the art not only in Western Canada

but also around the world. Our S.M.A.R.T.™ (Satellite Monitored Automated Reporting Terminal) system is a compact solar powered satellite linked gas detection unit, which is unmanned and utilizes cutting edge information analysis equipment to provide a service without parallel in the industry. A fleet of Mobile Treatment Centers, tracked by our 24/7 Call Center, is available to customers, capitalizing on our existing technology infrastructure to provide a superior product.

Looking to the future, IROC is well positioned to capitalize on its operating leverage, field expertise and experienced management to continue its growth both internally and through the exploitation of our “in house” technology. Our focus is clear, our products superior and the future is exciting for management, employees, customers and shareholders of IROC Systems Corp.

FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Financial Results		
Revenue	\$ 2,314,305	2,567,770
Net earnings (loss)	\$ (162,017)	163,259
Net earnings (loss) per share	(0.014)	0.015
Earnings before interest, taxes and depreciation & amortization	\$ 71,483	571,610
Earnings before interest, taxes and depreciation & amortization per share	0.006	0.05
Weighted average shares outstanding	11,903,125	10,547,916

P R E S I D E N T ' S M E S S A G E

Dear Shareholders,

The second quarter of 2003 provided further time for our company to move forward as we continue to introduce new technologies to the oil and gas exploration and production industry.

After a poor start during the first quarter, we have begun to see year over year increases in revenues in most all of our operating areas. S.M.A.R.T., trailer rentals and equipment sales and rental are all showing good trends while the timing of our plant turnaround work remains uncertain. The introduction of our satellite linked H₂S and SO₂ monitoring system has created a greater awareness of the issues and provides a significant step towards a solution, which satisfies all stakeholders in the production of oil and gas. Our movement forward in this sector of the business has been consistent and will show marked improvement as the second half of this year unfolds. This has become our marquee product line and will be important in driving the company to increased revenues. Management is confident in our ability to utilize this technology as the basis for further applications in the oilfield service sector. To that end, we will continue to support the additional infrastructure required over the long term to see that this is accomplished.

Our sector of the industry continues to move itself towards consolidation, albeit slowly. The industry is dominated by a few larger players with many smaller operators also providing

services in the sector. As time passes it is becoming more evident that consolidation will take place with the greater efficiencies available and the need to address the increasing demands of an expanding oil and gas industry. Management will continue to monitor the situation and act if there is an opportunity that will enhance the value of our company over the longer term.

Evidence continues to mount that IROC Systems Corp. has the right products and services at the right time to provide benefit to oil and gas companies, public stakeholders and our shareholders. There will be many hurdles to overcome as we go forward but continued adherence to our plans will result in success in the near future, allowing us to move to the next level as we build our company.

Respectfully submitted



Thomas M. Alford
President and Chief Executive Officer

TOTAL SAFETY MANAGEMENT SOLUTIONS

IROC Systems Corp.
Consolidated Balance Sheet

	June 30	December 31
	2003	2002
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash	\$ 27,109	73,197
Accounts and notes receivable	1,103,963	516,091
Inventories	97,201	136,150
Prepaid expenses and deposits	226,641	144,073
	1,454,914	869,511
Prepaid lease costs	47,502	57,501
Investments	100,000	100,000
Capital assets	2,164,513	2,065,686
Future income taxes	1,744,000	288,000
	\$ 5,510,929	3,380,698
Liabilities		
Current liabilities		
Operating loan	\$ 474,008	7,995
Accounts and notes payable and accrued liabilities	964,448	379,823
Current portion of callable term debt	170,040	70,020
Current portion of obligations under capital lease	114,806	96,200
	1,723,302	554,038
Callable term debt	294,910	163,280
	2,018,212	717,318
Obligations under capital lease	138,694	204,208
	2,156,906	921,526
Shareholders' Equity		
Share capital	3,312,808	2,255,940
Retained earnings	41,215	203,232
	3,354,023	2,459,172
	\$ 5,510,929	3,380,698

IROC Systems Corp.

Consolidated Statement of Earnings and Retained Earnings

(Unaudited)

	Six Months	Six Months	Three Months	Three Months
	Ended June 30	Ended June 30	Ended June 30	Ended June 30
	2003	2002	2003	2002
Revenue	\$ 2,314,305	2,567,770	937,689	840,176
Expenses				
Operating	1,568,031	1,587,965	635,775	571,190
General and administrative	685,617	505,469	392,815	240,699
Amortization	310,419	301,782	162,920	171,703
Interest on term debt	12,304	7,738	7,784	3,790
Interest on obligations under capital lease	13,597	15,953	6,508	8,149
	2,589,968	2,418,907	1,205,802	995,531
Earnings (loss) from operations	(275,663)	148,863	(268,113)	(155,355)
Other earnings (loss)				
Government grants	-	27,020	-	1,963
Gain (loss) on disposal of capital assets	9,765	56,409	9,446	782
Gain on sale of marketable securities	-	1,300	-	1,300
Interest income	1,061	12,545	839	1,383
	10,826	97,274	10,285	5,428
Earnings (loss) before income taxes	(264,837)	246,137	(257,828)	(149,927)
Income taxes				
Current	-	29,878	-	(54,384)
Future	(102,820)	53,000	(101,000)	(3,000)
	(102,820)	82,878	(101,000)	(57,384)
Net earnings (loss)	(162,017)	163,259	(156,828)	(92,543)
Retained earnings at beginning of period	203,232	420,481	198,043	676,283
Retained earnings at end of period	\$ 41,215	583,740	41,215	583,740
Net earnings (loss) per share	\$ (0.014)	0.015	(0.013)	(0.009)
Weighted average shares outstanding	11,903,125	10,547,916	11,903,125	10,547,916

IROC Systems Corp.

Consolidated Statement of Cash Flows

(Unaudited)

	Six Months	Six Months	Three Months	Three Months
	Ended June 30	Ended June 30	Ended June 30	Ended June 30
	2003	2002	2003	2002
Cash flows from operating activities				
Cash received from customers	\$ 1,921,650	1,610,954	1,137,580	682,870
Cash paid to suppliers and employees	(2,136,114)	(2,289,693)	(1,182,990)	(706,882)
Interest paid	(25,901)	(23,692)	(14,293)	(11,940)
Interest received	1,061	12,545	839	1,384
Cash acquired in Sat-Tel acquisition	3,343	-	-	-
	(235,961)	(689,886)	(58,864)	(34,568)
Cash flows from financing activities				
Issuance of callable term debt	300,000	-	-	-
Issue of obligation under capital lease	-	26,235	-	26,235
Issuance of note payable	150,000	-	150,000	-
Repayment of obligations under capital lease	(46,908)	(140,373)	(23,744)	(19,579)
Issuance of notes receivable	(166,148)	-	(166,148)	-
Net operating loan advances (repayments)	466,013	(166,369)	327,735	60,078
Repayment of callable term debt	(69,056)	(35,010)	(42,839)	(17,505)
Issue of shares	-	750	-	-
	633,901	(314,767)	245,004	49,229
Cash flows from investing activities				
Advances to partnership	-	(161,366)	-	(24,102)
Sat-Tel acquisition costs	(123,403)	-	(66,924)	-
Purchase of capital assets	(345,586)	(847,441)	(133,603)	(456,066)
Sale of capital assets	24,960	2,013,475	23,560	7,450
	(444,029)	1,004,668	(176,967)	(472,718)
Increase (decrease) in cash during the period	(46,089)	15	9,173	(458,057)
Cash at beginning of period	73,198	185	17,936	458,257
Cash at end of period	\$ 27,109	200	27,109	200

IROC Systems Corp.

Notes to Consolidated Financial Statements

Six Months Ended June 30, 2003

(Unaudited)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES

The interim financial statements of IROC Systems Corp. have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2002. The disclosures included below are incremental to those included with the annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes thereto included in the Corporation's annual report for the year ended December 31, 2002.

NOTE 2 - BUSINESS COMBINATION

On February 28, 2003 the Corporation and Sat-Tel Corporation ("Sat-Tel"), a publicly traded corporation on the TSX Venture Exchange, completed an amalgamation pursuant to an agreement entered into on December 16, 2002. Under the agreement the shareholders of IROC received one share of the amalgamated corporation for each IROC common share held and the shareholders of Sat-Tel received one share of the amalgamated corporation for each six Sat-Tel common shares held. This transaction has been accounted for as a business combination whereby the Corporation has acquired Sat-Tel.

The purchase price of \$1,233,868, including transaction costs of \$177,000, has been allocated to Sat-Tel's net assets and liabilities in accordance with the purchase method as follows:

Assets acquired:	
Cash	\$ 2,637
Accounts receivable	37,201
Inventories	8,916
Future income taxes	1,353,178
Capital assets	89,000
	<hr/>
	1,490,932
Liabilities assumed:	
Accounts payable	257,064
	<hr/>
Net assets acquired	\$ 1,233,868
Consideration given:	
2,032,439 common shares	\$ 1,056,868
Transaction costs	177,000
	<hr/>
Total consideration	\$ 1,233,868

The allocation of the purchase price is based on the financial position of Sat-Tel at February 28, 2003 and reflects the fair value, at that date, of the assets acquired and liabilities assumed based upon an evaluation of such assets and liabilities by management.

NOTE 3 - RELATED PARTY TRANSACTIONS

- A) On July 3, 2003, the Corporation issued two convertible debentures (as outlined in Note 4) to an officer and the spouse of an officer of the Corporation.
- B) During the period, the Corporation was advanced \$150,000 in exchange for a promissory note payable from a company owned by an officer of the Corporation. On July 3, 2003, the note was repaid in full by the Corporation

NOTE 4 - SUBSEQUENT EVENT

On July 3, 2003, the Corporation completed a private placement of two convertible debentures for aggregate gross proceeds of \$300,000. The debentures bear interest at 8% per annum, payable quarterly, commencing on September 30, 2003 and mature in June, 2006. The debentures are unsecured and are convertible into common shares of the Corporation at the option of the holder at an exercise price of \$0.50 per share if exercised during the first two years after issue and at \$0.55 per share if converted thereafter until maturity.

NOTE 5 - COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current period.



CORPORATE DIRECTORY

CORPORATE HEADQUARTERS

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TRADING INFORMATION

Symbol: ISC

TSX Venture Exchange
Calgary, Alberta



PRINCIPAL BANK

Community Savings

AUDITORS

Brown Smith Owen LLP
Chartered Accountants
Red Deer, Alberta

LEGAL COUNSEL

Miller Thomson
Barristers & Solicitors
Edmonton, Alberta

TRANSFER AGENT

Computershare Investor Services
Calgary, Alberta

DIRECTORS

Thomas M. Alford
Director

Brian Neeland
Director and Chairman of the Board

Stuart Watson
Director

OFFICERS

Thomas M. Alford
President, Chief Executive Officer and
Chief Financial Officer

Timothy J. Sebastian
Corporate Secretary

Gayle Morrical
Controller