



2006 FIRST QUARTER REPORT

(UNAUDITED)

Report Contents

TSXV: ISC

MARCH 31, 2006

Partnerships
in HEALTH and SAFETY

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P R O F I L E

IROC Systems Corp. (“IROC” or the “Corporation”) is a leading Canadian oilfield service company that supplies a comprehensive and diverse range of products, services and equipment to the oil and gas industry.

- **IROC Safety** has provided safety services and equipment to the oil and gas industry since 1982. A commitment to develop and deploy state-of-the-art equipment using the latest technology has resulted in a high quality inventory that includes safety trailers, personal gas monitors and wireless gas detection devices.
- **Oricomm Communications and Monitoring** provides customers with a wide range of air quality monitoring and communications products and services including real-time flare management, remote field communications, mobile and stationary air quality monitoring. Oricomm’s products and services are used in both forest fire prevention and the oil and gas industry.
- **Eagle Well Servicing** currently operates 19 free standing single and double service rigs across Alberta and into Northern British Columbia and is strategically positioned to meet the service demands of a changing industry through building or acquiring new equipment and attracting quality personnel.
- **Envirocore** offers comprehensive environmental services ranging from project planning and construction to final reclamation. Envirocore provides project management services, risk analysis and construction planning and environmental monitoring. In addition, Envirocore owns, operates, and maintains a fleet of specialized equipment for lease construction, reclamation, remediation and waste transportation.
- **Canada Tech Corp.**, has developed a wide range of memory gauges and permanent monitoring systems that measure pressure and temperature in the downhole and surface environment of oil and gas wells. The company’s core business is to develop and use specialized technology that allows customers to optimize production of new and existing oil and gas wells. Canada Tech’s dedication to excellence has earned Canada Tech preferred supplier status with many of its customers including domestic and international service companies, oil and gas producers, mining and hydrology companies.

Looking to the future, IROC will capitalize on business opportunities by leveraging the synergies of our divisions, positioning us for solid growth. Our focus is crystal clear, our products are superior and the future is exciting for the management, employees, customers and shareholders of IROC Systems Corp.



F I N A N C I A L H I G H L I G H T S

	3 Months Ended March 31, 2006	3 Months Ended March 31, 2005
Financial Results		
Revenue	\$ 19,000,031	\$ 5,835,999
Net earnings	2,048,107	564,257
Net earnings per share		
Basic	0.05	0.02
Diluted	0.05	0.02
Earnings before interest, taxes and depreciation & amortization	5,123,868	1,543,615
Earnings before interest, taxes and depreciation & amortization per share		
Basic	0.14	0.06
Diluted	0.13	0.06
Weighted average shares:		
Basic	37,630,456	27,039,788
Diluted	38,558,580	27,574,117



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

Dear Shareholders,

The first quarter of 2006 saw unprecedented activity in the Western Canadian oil and gas business. High commodity prices and ready demand for the product, combined with the usual increase in winter related work put significant pressure on the oil and gas services sector. IROC Systems Corp responded to these conditions, as it has in the past, by continuing to move our products and services forward by growing our company internally to meet the increasing demands. The benefits to our shareholders are beginning to show as revenues, cash flow and earnings continue the growth trend that has been evident for a number of quarters. Management is expecting to continue to see increased revenues from existing assets in addition to the obvious increases through the addition of equipment through our capital expenditure program. We can see, from the results of the past year that it takes time for the new equipment to begin operating at full efficiency but over time the costs associated with being in "start-up mode" will dissipate and the cost savings will accrue to the benefit of our shareholders.

The Eagle Well Servicing group continues to meet or exceed our expectations in all aspects of its operations. Increasing margins created by higher than expected utilization, and the steady addition of capacity to our fleet, gives the rest of our Corporation a solid foundation to operate on. Rigs 17 and 18 were deployed in Q1 with Rig 19 hitting the field in May. Current plans provide for an additional 6 doubles and 3 singles to rollout by year end, although 4 of the rigs are scheduled for deployment late in the fourth quarter.

Envirocore, our reclamation, remediation and construction group, has provided the Corporation with an additional growth platform since its inception in the second half of 2005. The geographic scope that this division enjoys will allow the rest of the Corporation to move into the more northern areas of the Alberta and B.C. because Envirocore provides infrastructure not previously available to IROC in these areas.

Canada Tech Corp. has fit in well in its first few months as an IROC company, meeting and exceeding targets and developing new products to meet the customers' needs for complete solutions to their downhole measurement problems. Also, some of Canada Tech's recently developed new product lines will begin to impact the Corporation's revenues as early as the third quarter of 2006.

The safety, communication and monitoring divisions continue to move forward with increased revenues but are not meeting management's expectations in terms of their contribution to cash flow and earnings targets. To that end we have increased our efforts to streamline the operations at the field level and continue to expect a positive contribution in the future from this group.

In keeping with our stated goal of internal growth, the Corporation embarked on an ambitious program to develop an oilfield rental company. Beginning with a solid group of dedicated employees and purchasing equipment to form our rental fleet is our chosen path to enter this arena. With \$7.9mm committed to this division for the remainder of the year, management expects a positive contribution from this division by the fourth quarter of 2006, though the division will likely be a drag on our cash flow until that time.

Despite the high levels of activity seen in recent months, management continues to be wary of changing market conditions. In the shorter term, significantly lower natural gas pricing, a very tight labor market, increasing costs for both the production and service businesses and increasing competition in certain areas of the business could serve to dampen activity somewhat over the summer. Strong oil prices have continued to support our activity in much of the area we operate in and point to the benefits of pursuing growth internally as we have done in the past. We believe that because we are diversified geographically, by product lines and through exposure to various segments of the business IROC Systems Corp will continue to grow and prosper for the benefit of our employees and shareholders.

Respectfully submitted,

A handwritten signature in black ink that reads "Tom Alford".

Thomas M. Alford
IROC Systems Corp.
President and CEO



M A N A G E M E N T ' S D I S C U S S I O N A N D A N A L Y S I S

The following Management's Discussion and Analysis (MD&A) focuses on key statistics from the consolidated financial statements of IROC Systems Corp. ("IROC") for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005, and pertains to known risks and uncertainties relating to our business. This MD&A should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. This MD&A of the financial condition and results of operations for the three months ended March 31, 2006 should be read in conjunction with the consolidated financial statements and related notes for the period, which are prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP). All amounts are expressed in Canadian dollars unless otherwise noted.

This report contains forward-looking statements which reflect management's expectations regarding IROC's future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as "may", "will", "believe", "expect", "potential", "continue", "view" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. Although the forward-looking statements contained in this report are based upon what management believes to be reasonable assumptions, the Corporation cannot assure readers that actual results will be consistent with these forward-looking statements. Some of the risks, uncertainties, and factors include, but are not limited to: certain economic risks, most important of which are a slowdown in the general economy or reduced oil and natural gas drilling; changes to governmental regulations; prevailing interest rates; currency exchange rates; customer relationships, and labor disruption; accidents and costs of liability insurance; and fuel prices. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. See additional discussion under "**Risks and Uncertainties**".

OVERVIEW

The first quarter of 2006 saw the creation of IROC Energy Services Partnership with partners being IROC Systems Corp, IROC Drilling and Production Services Corp. and IROC Technology Services Corp. The Partnership will provide a common revenue and expense stream by division with individual assets remaining in the hands of the partners.

The Corporation also announced the formation of Aero Rental and Fishing Services, a division of the IROC Energy Services Partnership. Based on an approved \$7.9 million dollar capital budget, IROC will continue to build out the initial rental inventories from May through September, 2006 and will commence active operations during the fourth quarter of 2006.

OVERALL PERFORMANCE/RESULTS OF OPERATIONS

Comparison of three months ended March 31, 2006 to three months ended March 31, 2005 (First Quarter)

Consolidated Revenue

Consolidated financial results for the three months ended March 31, 2006 report net earnings of \$2,048,107 versus net earnings of \$564,257 in the corresponding period of 2005. Revenue increased to \$19,000,031 for the first three months of 2006 as compared to \$5,835,999 in 2005, an increase of 225.5%. Operating costs increased 221.9% to \$11,931,248 in 2006 from \$3,706,498 in 2005. Gross profit margin increased slightly when comparing the first quarter of 2006 and the first quarter of 2005 moving to 37.2% in 2006 versus 36.5% for the corresponding period in 2005. Significant growth and expansion throughout 2005 within the original safety and monitoring division, through the development of the service rig and environmental divisions and with the

addition of Canada Tech has resulted in a significantly different mix of revenues, costs and margins for the IROC group of companies in the later part of 2005 and the first quarter of 2006 as compared to the first three quarters of 2005.

General and Administrative (G&A) expenses increased to \$1,993,003 for the first quarter of 2006 from \$620,446 in the first quarter of 2005. As a percentage of revenue this represents a slight decline for the first three months of 2006 to 10.5% versus 10.6% for the corresponding period in 2005. Included in the G&A expenses are \$262,533 in stock based compensation costs.

SUMMARY OF QUARTERLY RESULTS

The following table presents the unaudited selected financial data for each of the last eight quarters of the Corporation ended March 31, 2006.

QUARTERS ENDED	Revenue \$	Net Income \$	Earnings per share (basic) \$	Earning per share (diluted) \$
2006				
March 31	19,000,031	2,048,107	0.05	0.05
2005				
December 31	15,154,847	1,025,059	.03	.03
September 30	8,864,479	992,287	.03	.03
June 30	4,050,127	(428,132)	(0.01)	(0.01)
March 31	5,835,999	564,257	0.02	0.02
2004				
December 31	4,475,332	476,822	.02	.02
September 30	2,354,920	(259,512)	(0.01)	(0.01)
June 30	1,586,477	(209,455)	(0.01)	(0.01)

CAPITAL EXPENDITURES

Capital expenditures for the three months ended March 31, 2006 were \$3,855,614 as compared to \$6,443,892 for the first quarter of 2005. These expenditures were financed almost exclusively using cash from operations with the addition of several small capital leases.

The largest expenditures were for the continued acquisition and construction of service rigs and related equipment. A total of \$2,813,321 was expended in this area with an additional \$105,000 being expended for continued development of communication assets in our communications group. An additional \$584,070 was expended by Canada Tech Corp. for the continuing research and development of their industry leading products. The remainder of the capital costs incurred was spread over an array of support equipment.

RESULTS BY BUSINESS SEGMENTS

SAFETY, MONITORING AND COMMUNICATION SERVICES

IROC Safety, a division of the IROC Energy Services Partnership, continues to provide high quality safety trailers, equipment and personnel to the Alberta oil & gas industry by designing unique and proactive industry leading safety solutions. IROC's fleet of trailers declined to 69 during the first quarter of 2006 as compared to 70 at December 31, 2005 and includes 17 air trailers, 13 air/office trailers, 24 office trailers and 15 communication trailers. Oricomm Communications, a division of the IROC Energy Services Partnership, offers state-of-the-art communication technology including secure high speed internet, VoIP and data communication that can be used by our customers in remote locations and for their emergency response plans.

Oricomm Monitoring, a division of the IROC Energy Services Partnership, offers the state of the art S.M.A.R.T.[™] (Satellite Monitored Automated Reporting Terminal) system which continues to generate interest from oil & gas producers and is earning a reputation for high accuracy and reliability from our customers and from public stakeholders. When combined with our communication capabilities, IROC has been able to develop “real time” applications at the field level. The combination of the mobile, downwind air monitoring units, the S.M.A.R.T.[™] systems and MET towers provide a solid, technologically advanced business that provides remote monitoring services and solutions for our customers.

Revenues in the Safety, Communication and Monitoring division increased to \$3,062,949 for the quarter ending March 31, 2006 as compared to \$2,177,361 for the quarter ending March 31 2005, which represents a 40.7% increase. This resulted in EBITDA for the year ending March 31, 2006 in the Safety, Communication & Monitoring division of \$326,268 as compared the corresponding period in 2005 of \$628,716, a 48.1% decrease. The continued development of the communication technology and infrastructure combined with the advancements and the build out of additional S.M.A.R.T.[™] units had a negative impact on EBITDA that management anticipated but feels will pay off in the near future periods.

WELL SERVICES

IROC Drilling & Production Services Corp. continued to build out the balance of the 6 rigs and support equipment that were started in 2005. Eagle Well Servicing, a division of the IROC Energy Services Partnership, had 17 actively working rigs in the field in January and February and 18 during the month of March. The remaining rig will be field ready by mid May 2006. IROC proposes to build 6 additional double rigs and 3 more single rigs by the end of 2006 to bring its total fleet of service rigs to 28 by the end of 2006. Eagle continued to meet its targeted numbers during the first quarter of 2006 and expects this trend to continue as the additional rigs are deployed to the field throughout the year.

Eagle’s revenue for the three months ended March 31, 2006 was \$9,895,564 as compared to the corresponding period in 2005 of \$3,024,351 representing a 227.2% increase. At March 31, 2006 the Eagle rigs have generated positive EBITDA for the quarter of \$3,689,061. In the current market, management is able to look to Eagle for steady, stable revenues, returns and growth.

ENVIRONMENTAL SERVICES

Since being acquired on April 30, 2004 Envirocore, a division of the IROC Energy Services Partnership, has been developing additional products and services in an attempt to transform itself into a full service environmental company which provides turnkey abandonment and reclamation solutions for its customers. A growing backlog of wells requiring abandonment and a focus by oil and gas companies on new production are creating increasing opportunity in this area, which Envirocore intends to continue building on throughout 2006.

Revenue for the quarter ending March 31, 2006 increased to \$3,060,662 as compared to \$634,287 during the same period in 2005, which represents a 382 % increase. EBITDA for the three months of 2006 was \$161,254 as compared to \$19,281 for the comparative three months of 2005. The addition of the lease construction and heavy hauling equipment and personnel during the third quarter of 2005 will allow the Corporation to expand both in the array of services it offers as well as being able to service customers over a wider geographical area.

DOWNHOLE SERVICES

Canada Tech Corp. (“Canada Tech”) was acquired by IROC on October 31, 2005. Canada Tech is a developer, manufacturer and marketer of a wide line of tools and systems that measure pressures and temperatures in the downhole and surface environment of oil and gas wells. During the first three months of 2006 Canada Tech generated revenue of \$2,980,856 resulting in EBITDA of \$947,285.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation ended the first quarter of 2006 with working capital of \$2,961,922 as compared to the working capital at December 31, 2005 of \$ 1,825,413. The operating facility was drawn down by \$5,898,538 at March 31, 2006 as compared to a \$1,452,646 balance at December 31, 2005.

Cash balances moved to \$710 at March 31, 2006 as compared to \$187,624 at December 31, 2005. Prepaid expenses and deposits increased from \$752,739 at December 31, 2005 to \$1,148,617 at March 31, 2006 of which \$884,550 is a deposit paid out for the construction of the next six service rigs. Inventory increased by the end of the first quarter of 2006 to \$1,979,742 as compared to \$1,774,917 at the 2005 year end.

Accounts receivable showed an increase to \$18,717,192 at March 31, 2006 compared to \$14,113,971 at year-end, 2005. This reflects the continued activity increase in all divisions of the Corporation.

Equipment additions (primarily Rigs 18 and 19) offset by depreciation and amortization for the quarter resulted in capital assets increasing from \$35,603,936 at December 31, 2005 to \$38,113,481 at March 31, 2006.

The net decrease to obligations under capital lease from \$4,158,977 at December 31, 2005 to \$3,924,142 at March 31, 2006 came about as a result of regular monthly payments offset by the addition of two new equipment leases. Capital leases vary in their amount and terms and the last of these will be repaid within approximately 60 months.

Decrease in callable term debt to \$6,480,706 at March 31, 2006 versus \$6,945,608 at the end of 2005 was a result of regular monthly payments paid to the Canadian Western Bank. This facility allowed retirement of debt with the Corporation's previous lender and the addition or construction of additional equipment to be used in the conduct of our business. The term debt is in the form of two demand loans, one having a maximum of \$6,000,000 used for the construction of rig equipment, repayable over 60 months at a rate of prime plus 0.75% and a second facility used for our technology and safety growth having a maximum amount of \$2,500,000, repayable over 36 months at an interest rate of prime plus 0.75%. In accordance with generally accepted accounting principles (GAAP), this debt has been included as a current liability despite its longer-term repayment arrangements. The Corporation is in compliance with all banking covenants at March 31, 2006.

On September 12, 2005 the Corporation completed the private placement of \$7.0 million dollars worth of three (3) year 8% unsecured debentures, which include the granting of 1,050,000 warrants to purchase common shares of IROC. 201,300 of these warrants have been exchanged for common shares at March 31, 2006.

Share capital increased to \$36,993,326 at March 31, 2006 as compared to the December 31, 2005 year end total of \$36,118,511. This was due to the exercise of employee stock options and the exercise of warrants.

IROC's capital assets, as a whole, are in new or like new condition due to the rapid expansion of the asset base over the past few years. The service rigs being deployed to the field during the past six months are effectively new and represent a large percentage of the Corporation's overall fixed assets.

Future cash requirements will be met through funds from operations, bank financing or the issuance of equity as available. The Board of Directors, in conjunction with management, will determine the appropriate course of action as conditions dictate.

SHARE CAPITAL

a) Authorized:

Unlimited number of voting common shares

b) Issued:

	Number	Amount
Balance at January 1, 2006	37,389,730	\$ 36,118,511
* Issued on exercise of options	180,000	\$ 150,135
* Issued on exercise of warrants	201,300	724,680
Balance at March 31, 2006	37,771,030	\$ 36,993,326

* Total cash proceeds received on exercise of options and warrants for the three months ended March 31, 2006 was \$634,916

c) Stock options:

The Corporation has a stock option plan for its directors, officers and key employees whereby an amount of options to a maximum of ten percent of the issued and outstanding common shares may be granted subject to certain terms and conditions. Stock option vesting privileges are at the discretion of the Corporation's Board of Directors. Changes in the number of common shares under option during the first three months of 2006 are summarized as follows:

	Three Months Ended March 31, 2006	
	Number of Options	Weighted Average Price
Balance at beginning of period	1,515,666	\$1.95
Exercised	(180,000)	0.73
Granted	435,000	3.90
Balance at end of period	1,770,666	2.55

- At March 31, 2006 there were a total of 652,334 (2005 – 500,666) options exercisable at a weighted average exercise price of \$1.90.
- 300,000 of the options granted during the first quarter of 2006 are reserved and will vest based on performance criteria yet to be determined

RISK AND UNCERTAINTIES

The general risk factors associated with IROC's business and operations are as follows:

OPERATIONAL RISKS

Demand and prices for IROC's products and services depend upon the level of activity in the Canadian oil and gas exploration and production industry which in turn depends on the level of oil and gas prices, expectations about future oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the discovery rate of new oil and gas reserves, available pipeline and other oil and gas transportation capacity, worldwide weather conditions, political, military, regulatory and economic conditions and the ability of oil and gas companies to raise capital. The level of activity in the Canadian oil and gas exploration and production industry has been volatile. No assurances can be given that current levels of oil and gas exploration and production activities will continue or that demand for the Corporation's services will continue to reflect the level of activity in the industry generally. Industry conditions will continue to be influenced by numerous factors over which the Corporation will have no control. Prices for oil and gas are expected to continue to be volatile and to affect the demand for and pricing of the Corporation's products and services. A material decline in oil or gas prices or Canadian industry activity could have a material adverse affect on the Corporation's business, results or operations and prospects.

The Corporation's operations are subject to hazards inherent in the oilfield service industry, such as explosions, fires and spills that can cause personal injury or loss of life, damage to or destruction of property, equipment and the environment and suspension of operations. In addition, claims for loss of oil and gas production, damage to formations, damage to facilities and business interruptions can occur. While the Corporation maintains insurance coverage that it believes to be adequate and customary in the industry there can be no assurances that insurance proceeds will be available or sufficient or that IROC will be able to maintain adequate insurance in the future at rates considered reasonable. The single occurrence of a significant uninsured claim or a claim in excess of the insurance coverage limits maintained by the Corporation could have a material adverse effect on the Corporation's business, results of operation and prospects.

SEASONAL NATURE OF IROC'S BUSINESS

The Company's operations are carried on in western Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest time, and as such the operating results of the Company will vary on a quarterly basis.

ENVIRONMENT

All phases of IROC's business could be affected by changes to environmental legislation and regulations in the various jurisdictions in which the Corporation operates. While the Corporation expects that environmental legislation is evolving in a manner, which will enhance the value of the Corporation's products and services, there can be no assurances that such changes to existing legislation will occur.

COMPETITION

The oilfield service industry is highly competitive and there are a number of other oilfield service companies, which have greater technical ability and greater financial resources than IROC. There are no assurances that IROC will be able to compete with these other companies.

FOREIGN OPERATION

A significant amount of Canada Tech's sales are to international customers. International sales are subject to inherent risk, including variations in local economies, fluctuating exchange rates, greater difficulty in collection of accounts receivable, changes in tariffs and other trade barriers, adverse foreign talks, tax consequences and burdens of complying with a variety of foreign laws. Canada Tech may also encounter exchange rate risk in the event that international sales are denominated in currency other than Canadian dollars.

The Corporation's financial results are reported in Canadian dollars. A significant portion of Canada Tech's revenue and accounts receivables are frequently denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rate between these other currencies and the Canadian dollar could reduce the Corporation's reported revenue, increase the Corporation's costs or give rise to a change related to foreign currency transactions, all of which could materially effect operating results.

FUTURE CAPITAL REQUIREMENTS

The current 2006 capital budget totals \$36.0 million dollars, with \$31.0 million dollars expected to be expended during the remainder of 2006.

IROC may require additional financing in the future to implement its strategies and business objectives. It is possible that such financing will not be available, or if available, will not be available on favourable terms. Also, if IROC issues any shares in the future to finance its operations or implement its strategies, the current shareholders of IROC will suffer a dilution of their interest.

OUTLOOK

The commodity pricing outlook has changed significantly as we head into the second half of 2006. Natural gas, which has been the main driver behind activity, has gone through a period of reduced demand due to a number of factors. Prominent among those are the abnormally warm weather encountered this past winter and reduced industrial use due to higher pricing and cheaper alternatives. The situation has been further affected by the increasing value of the Canadian dollar creating pressure on the industry to maintain the very high levels of activity of the recent past. A continuing tight labour market and increased operating costs provide ongoing challenges on both the service and production side of the business. We are currently seeing an increase in merger activity related to these developments. On the positive side of the equation oil prices remain high, declines dictate continued activity, the financial condition of the industry remains strong and predictions for continued record activity remain in place.

Management at IROC Systems Corp intends to continue its practice of growing the company organically to reduce the risks associated with the current environment. Our capital expenditure plan remains intact as we enter the summer months. New equipment meets industry standards and regulations, helps attract personnel to our company and leaves us with an operating advantage from a cost perspective during the next few years.

INTERNAL DISCLOSURE CONTROLS

In accordance with Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Corporation's President and Chief Executive Officer and Chief Financial Officer have designed, or have caused to be designed under their supervision, disclosure controls and procedures. The President and Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as at March 31, 2006, have concluded that the Corporation's disclosure controls and procedures provide reasonable assurance that (i) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed summarized and reported within the time periods specified in the provincial and territorial securities legislation; and (ii) material information relating to the Corporation is accumulated and communicated to the Corporation's management, including the President and Chief Executive Officer and the Chief Financial Officer, in a timely manner.

NON GAAP MEASURES

Throughout this MD&A, the term "EBITDA" is used to refer to earnings before interest, taxes, depreciation and amortization. The term EBITDA is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. EBITDA may not be comparable to similar measures presented by other issuers, and investors are cautioned that EBITDA should not be considered as an alternative to net earnings or other measures of financial performance calculated in accordance with GAAP.

EBITDA is provided as a measure of operating performance without reference to financing decisions and income tax impacts, which are not controlled at the operating management level. Accordingly, management believes EBITDA is a useful measure for prospective investors in evaluating the financial performance of the Corporation, and specifically, the ability of the Corporation to service the interest on its indebtedness.

Consolidated Financial Statements of

IROC SYSTEMS CORP.

Three month period ended March 31, 2006 and 2005

IROC SYSTEMS CORP.

Consolidated Balance Sheets

(Unaudited)

	March 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash	\$ 710	\$ 187,624
Accounts receivable	18,717,192	14,113,971
Inventory	1,979,742	1,774,917
Prepaid expenses and deposits	1,148,617	752,739
Income taxes recoverable	--	177,743
	<u>21,846,261</u>	<u>17,006,994</u>
Deferred costs	88,289	22,108
Property and equipment	38,043,965	35,603,936
Intangible assets	6,153,077	6,261,663
Goodwill	7,050,484	7,050,484
	<u>\$73,182,076</u>	<u>\$65,945,185</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loan	\$ 5,898,538	\$ 1,452,646
Accounts payable and accrued liabilities	5,343,336	5,770,933
Corporate taxes payable	158,352	--
Callable term debt	6,480,706	6,945,608
Current portion of obligations under capital lease	1,003,407	1,012,394
	<u>18,884,339</u>	<u>15,181,581</u>
Obligations under capital lease	2,920,735	3,146,583
Deferred revenue	--	216,276
Debentures	6,073,615	5,977,780
Future income taxes payable	2,011,000	1,076,134
	<u>29,889,689</u>	<u>25,598,354</u>
Shareholders' equity:		
Share capital (note 3)	36,993,326	36,118,511
Warrants	928,570	1,150,000
Contributed surplus	1,072,037	827,973
Retained earnings	4,298,454	2,250,347
	<u>43,292,387</u>	<u>40,346,831</u>
	<u>\$73,182,076</u>	<u>\$65,945,185</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Tom Alford" Director
"Brian Neeland" Director

IROC SYSTEMS CORP.

Consolidated Statements of Earnings and Retained Earnings

(Unaudited)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Revenue	\$19,000,031	\$ 5,835,999
Expenses:		
Operating	11,931,248	3,706,498
General and administrative	1,993,003	620,446
Depreciation and amortization	1,402,992	623,343
Interest and accretion on debentures	235,835	-
Interest on callable term debt	102,754	62,116
Interest on obligations under capital lease	63,219	1,793
	15,729,051	5,014,196
	3,270,980	821,803
Other earnings:		
Gain on disposal of equipment	28,244	33,803
Foreign exchange gains	19,284	-
Interest income	560	757
	48,088	34,560
Earnings before income taxes	3,319,068	856,363
Income taxes:		
Current	336,095	-
Future	934,866	292,106
	1,270,961	292,106
Net earnings	2,048,107	564,257
Retained earnings, beginning of period	2,250,347	96,876
Retained earnings, end of period	\$ 4,298,454	\$ 661,133
Earnings per share – basic and diluted	\$ 0.05	\$ 0.02
Weighted average shares outstanding	37,630,456	27,039,788

See accompanying notes to consolidated financial statements.

IROC SYSTEMS CORP.

Consolidated Statements of Cash Flow

(Unaudited)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Cash provided by (used in):		
Operations:		
Net earnings	\$ 2,048,107	\$ 564,257
Items not affecting cash:		
Deferred revenue received	(216,276)	--
Depreciation and amortization	1,402,992	623,343
Stock-based compensation	262,533	22,407
Non-cash interest expense on debentures	95,835	3,095
Future income taxes	934,866	292,106
Gain on disposal of equipment	(28,244)	(33,803)
Other	3,333	5,000
	4,503,146	1,476,405
Changes in non-cash working capital balances	(4,410,876)	(2,780,438)
	92,270	(1,304,033)
Investing:		
Cash related to business combinations	--	160,521
Deposit on purchase of equipment	(884,550)	--
Purchase of property, plant and equipment	(3,799,134)	(2,913,637)
Proceeds on sale of property, plant and equipment	79,908	52,550
	(4,603,776)	(2,700,566)
Financing:		
Issue of callable term debt	-	2,798,968
Net operating loan advances (repayments)	4,445,892	1,661,727
Repayment of callable term debt	(464,902)	(168,780)
Repayment of obligations under capital lease	(291,315)	(24,682)
Issue of common shares	634,917	8,850
	4,324,592	4,276,083
Increase (decrease) in cash during the period	(186,914)	271,484
Cash at beginning of period	187,624	50,571
Cash at end of period	\$ 710	\$ 322,055

See accompanying notes to consolidated financial statements.

IROC SYSTEMS CORP.

Notes to Consolidated Financial Statements

Three month period ended March 31, 2006 and 2005
(Unaudited)

General:

IROC Systems Corp. (the "Corporation") is a Canadian corporation supplying equipment and personnel in the areas of safety, air quality monitoring, well servicing, reclamation and abandonment services, and downhole tool manufacturing and distribution to the oil and gas industry. The Corporation's common stock is traded on the TSX Venture Exchange.

1. Summary of significant accounting policies:

The Corporation's interim financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and reflect the same accounting policies and methods of computation as the financial statements for the fiscal year ended December 31, 2005. The disclosures included below are incremental to those included with the annual financial statements and notes thereto included in the Corporation's annual report for the year ended December 31, 2005.

2. Seasonality:

The Company's operations are carried on in Western Canada. The ability to move heavy equipment in the Canadian oil and natural gas fields is dependent on weather conditions. As warm weather returns in the spring, the winter's frost comes out of the ground rendering many secondary roads incapable of supporting the weight of heavy equipment until they have thoroughly dried out. The duration of this "spring breakup" has a direct impact on the Company's activity levels. In addition, many exploration and production areas in northern Canada are accessible only in winter months when the ground is frozen enough to support equipment. The timing of freeze up and spring breakup affects the ability to move equipment in and out of these areas. As a result, late March through May is traditionally the Company's slowest time, and as such the operating results of the Company will vary on a quarterly basis.

3. Share capital:

(a) Authorized:

Unlimited number of voting common shares without nominal or par value

(b) Issued:

	Number	Amount
Balance at December 31, 2005	37,389,730	\$ 36,118,511
* Issued on exercise of options	180,000	150,135
* Issued on exercise of warrants	201,300	724,680
Balance at March 31, 2006	37,771,030	\$ 36,993,326

* Total cash proceeds received on exercise of options and warrants for the three months ended March 31, 2006 was \$634,917.

(c) Stock options:

Changes in the number of common shares under option during the three month period ended March 31, 2006 are summarized as follows:

	Three months ended March 31, 2006	
	Number of options	Weighted exercise price
Balance at December 31, 2005	1,515,666	\$ 1.95
Granted	435,000	3.90
Forfeited	--	--
Exercised	(180,000)	.73
Balance at March 31, 2006	1,770,666	\$ 2.55

- At March 31, 2006 there were a total of 652,334 (2005 – 500,666) options exercisable at a weighted average exercise price of \$1.90.
- 300,000 of the options granted during the first quarter of 2006 are reserved and will vest based on performance criteria yet to be determined.

(d) Contributed surplus:

Contributed surplus represents the cost of the stock-based compensation payments relating to the compensation expense for stock options granted to employees, directors and consultants.

The following tables summarize information regarding contributed surplus:

	March 31 2006	March 31 2005
Balance at December 31, 2005	\$ 827,973	\$ 10,623
Stock - based compensation	262,533	22,407
Options exercised	(18,469)	--
Balance at March 31, 2006	\$ 1,072,037	\$ 33,030

4. Supplemental information:

	2006	2005
Interest paid	\$ 305,973	\$ 60,814

Components of change in non-cash working capital balances:

	2006	2005
Accounts receivable	\$ (4,603,222)	\$ (1,947,163)
Inventory	(204,825)	(161,791)
Prepaid expenses and deposits	488,672	20,769
Income taxes receivable	177,743	--
Accounts payable and accrued liabilities	(269,244)	(692,253)
	\$ (4,410,876)	\$ (2,780,438)

5. Segmented information:

As at March 31, 2006 the Corporation operates in four main operating segments, which are substantially in one geographic segment. The Safety, Monitoring, and Communication Services segment includes the provision of on-site safety and communication personnel and equipment and remote data monitoring using IROC's S.M.A.R.T. system and downwind monitoring technology. The Well Servicing segment comprises the operations of Eagle Well Servicing which includes the contracting of well servicing equipment and the provision of personnel required to operate the equipment. The Environmental Services segment comprises the operations of Envirocore which includes the provision of personnel and equipment in connection with lease construction, remediation, reclamation and abandonment of oil industry related sites. The downhole tools segment develops, manufactures and markets a wide line of tools and systems that measure pressures and temperatures in the downhole and surface environment of oil and gas wells.

As at and for the three months March 31, 2006	Safety Monitoring Communications	Well Servicing	Environmental Services	Downhole Tools	Total
Revenue	\$ 3,062,949	\$ 9,895,564	\$ 3,060,662	\$ 2,980,856	\$19,000,031
Earnings before interest, taxes, depreciation and amortization	326,268	3,689,061	161,254	947,285	5,123,868
Earnings (loss) before income taxes	(53,855)	2,989,863	(145,749)	528,809	3,319,068
Depreciation and amortization	248,632	559,494	195,632	399,234	1,402,992
Purchase of property and equipment	386,815	2,821,539	63,190	584,070	3,855,614
Total assets	8,360,356	39,585,833	9,029,488	16,206,399	73,182,076

As at and for the three months ended March 31, 2005	Safety Monitoring Services	Well Servicing	Environmental Services	Total
Revenue	\$ 2,177,361	\$ 3,024,351	\$ 634,287	\$ 5,835,999
Earnings before interest, taxes, depreciation and amortization	628,716	895,618	19,281	1,543,615
Earnings before income taxes	411,874	434,006	10,483	856,363
Depreciation and amortization	191,323	424,073	7,947	623,343
Purchase of property and equipment	5,744,696	697,976	1,220	6,443,892
Intangible assets acquired	350,000			350,000
Goodwill acquired	431,925			431,925
Total assets	\$20,998,118	\$6,529,441	\$ 1,147,441	\$28,675,000

CORPORATE DIRECTORY

CORPORATE HEADQUARTERS

8113 - 49th Avenue Close
Red Deer, Alberta T4P 2V5

Phone: 403-346-9710

Fax: 403-346-9770

EXECUTIVE OFFICE

Suite 1910, 715 – 5th Avenue SW
Calgary, Alberta T2P 2X6

Phone: 403-263-1110

Fax: 403-263-1182

PRINCIPAL BANK

Canadian Western Bank
Red Deer, Alberta

AUDITORS

KPMG LLP
Chartered Accountants
Calgary, Alberta

LEGAL COUNSEL

McCarthy Tetrault LLP
Barristers & Solicitors
Calgary, Alberta

TRANSFER AGENT

Computershare Investor Services
Calgary, Alberta

TRADING INFORMATION

Symbol: ISC

TSX Venture Exchange
Calgary, Alberta

Website: www.iroccorp.com

E-mail: mail@iroccorp.com

DIRECTORS

Brian D. Neeland
Director and Chairman of the Board

Thomas M. Alford
Director

Stuart Watson
Director

William Austin
Director

Jamie Biluk
Director

Grant Fagerheim
Director

Newton (Trey) Wilson, III
Director

OFFICERS

Thomas M. Alford
President and Chief Executive Officer

Gayle S. Morrical, CGA
Chief Financial Officer

Timothy J. Sebastian
Corporate Secretary

