



2007 THIRD QUARTER REPORT

(UNAUDITED)

Report Contents

TSX: ISC

SEPTEMBER 30, 2007

Partnerships
in HEALTH and SAFETY

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P R O F I L E

IROC Energy Services 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, through the IROC Energy Services Partnership and its subsidiary companies. The Corporation operates in two main segments as follows:

Drilling and Production Services which includes:

- **Eagle Well Servicing** division which operates a state-of-the-art fleet of mobile, free-standing single and double service rigs from strategic operations centres in Alberta. Our service rigs incorporate the very latest innovations and technology, enabling customers to achieve an exceptional level of functionality and efficiency.
- **Mission Drilling** division which is the newest member of the IROC group and brings four new, high quality drilling rigs to our operation. These rigs include the latest industry innovations, providing the highest levels of safety, efficiency and reliability for the benefit of our customers and employees.
- **Aero Rentals** division supplies surface pressure control and tubular handling equipment for workover, re-entry and completion operations, as well as for niche under-balanced and deep drilling applications.
- **Envirocore** division specializes in lease construction, including general oilfield construction, lease and well site preparation and road construction. Envirocore has built a reputation for getting the job done safely, efficiently and on time.

Technology Services which includes:

- **Canada Tech Corp**, a subsidiary of IROC, is a highly specialized technology company that develops and manufactures a wide range of memory gauges and permanent monitoring systems for use in harsh operating environments around the world.
- **IROC Safety Services** division which delivers a diverse offering of safety solutions to the oil and gas industry. With the powerful combination of exceptional products, innovative services and highly qualified people, IROC Safety Services is ready to respond to industry’s safety needs.
- **Oricomm** division which provides air quality monitoring, communication products and support services provide real-time communications from even the most remote locations. Our communication products and services minimize our customers’ operational and financial risks while maximizing their ability to respond to emergencies and make decisions with up-to-date and accurate information.



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

Dear Shareholders,

As predicted, the oil and gas services industry continued to be under stress during the third quarter as a number of forces continue to exert negative pressure on the activity levels in the Western Canadian Sedimentary Basin. Subdued natural gas pricing, the soaring Canadian dollar and the lingering and continued effects of federal government policy are reflected in reduced drilling rig utilization which ultimately acts as the catalyst for field activity across all segments of the service industry. More recently the Alberta government has contributed to the downturn by first creating uncertainty with the release of its Alberta Royalty Review Panel report in September and then providing a framework that is sure to further dampen the near term prospects for activity. There has been a marked and immediate reaction to the royalty review by the oil and gas producers as they determine their capital spending plans for 2008 and beyond, which will negatively affect all participants in every segment of the oil and gas services industry.

Despite the negative influences at play in our business, IROC continues to benefit from the business model that it operates under. During the third quarter, as was the case in the second quarter, we were able to increase our EBITDAS and post positive earnings during the quarter, certainly setting us apart from many other service providers operating in Western Canada. Revenues increased 16% to \$18.9 million while EBITDAS of \$4.6 million represented an 11% increase over the previous year. Additional equipment added to our fleet during the past year served to offset the reduced activity levels and provide for the gain in revenue during the quarter. Relatively strong performances by our Eagle Well Servicing, Envirocore and Canada Tech divisions provided the bulk of the increases while cost containment efforts in our Aero Rentals and IROC Safety operations enabled our company to post a profit for the quarter.

Eagle Well Servicing finished the quarter with 27 rigs operational, with 3 additional rigs slated for deployment during the fourth quarter. This will substantially complete our capital expenditures in this division for fiscal 2007, with no additional expenditures for service rigs planned through the end of Q1 2008. We have established an operations base in Grande Prairie to complement our existing operations in Red Deer, Lloydminster and Brooks. Activity was strong in July, weak in August before recovering somewhat in September. Management anticipates that the fourth quarter will remain soft, given the uncertainty in the industry before rebounding in the first quarter of 2008 due to the winter activity available in the northern part of our market. The rigs continue to comprise the newest fleet of equipment and technology available, a factor that will provide some cushion from the full effects of the reduced activity. To that end we would expect that utilization will continue to exceed industry average during the fourth quarter and the coming year.

Canada Tech continues to provide an ever increasing percentage of our revenues, with sales for the quarter reaching \$3.7 million. We continue to build a larger international footprint and would expect that this operation will provide increased revenues year over year during fiscal 2008. The effect of the Canadian dollar strength is being felt directly by Canada Tech as our revenues are predominately based in the US currency. While pricing has moved forward, any reduction in the value of the dollar would be welcome relief as we ramp up our international sales effort. For the nine months ended September 30, 2007 sales outside of Canada for Canada Tech were approximately 57% of Canada Tech's total revenue, meaning that almost 12% of IROC's total revenue is derived from international customers.

Strong performance by our Envirocore division was brought about by a tight control on costs and an increasingly and preferable operating environment for our customers in NE British Columbia. Mission Drilling is experiencing utilization increases as it competes in the spot market for work. Aero Rentals continues to make progress with more owned equipment being deployed as we continued to invest in the asset base during the third quarter. Most of our business segments have provided a positive contribution to our cash flow, something each of our managers understands the importance of going forward.

In our previous report I indicated that it would be prudent, given the cyclicity of the business and the clear trend towards reduced activity, to tighten cost controls and look for ways to operate more efficiently. To that end, restructuring of our IROC Safety and Aero Rentals division during the third quarter provided cost savings in terms of personnel and associated costs, facility costs and reduced operating expenditures. These cost reductions are permanent but are offset by cost increases in our marketing efforts in all aspects of our business. Continued diligence on costs will be a focus of management both in the divisions that continue to expand and also those that are affected by the downturn in a more significant manner.

In spite of the slowdown and the thousands of jobs being lost due to decreased activity, the labor market remains tight. Our analysis indicates that many of the trained personnel that we worked hard to develop over the past decade have skills that are readily transportable in Western Canada. The oilsands in NE Alberta, the government infrastructure programs and all businesses associated with areas of the economy not dependent on oil and gas all provide ample opportunity for employment. Many of the workers in our industry are making the move given the lower levels of activity in conventional oil and gas. Our new equipment and competitive salaries and benefit plans give us an advantage that allows us to access competent personnel, but what we thought would be a time of lessening labor pressure has not materialized to this point. As the downturn continues we do believe that other sectors of the economy will slow, allowing us greater access to labour at some point down the road.

As we enter the winter months our enthusiasm is tempered somewhat by the uncertainty hanging over our industry. Government intervention at the federal and provincial levels reduced natural gas economics, the soaring Canadian dollar and increased merger activity between our customers all contribute to abysmal projections for drilling activity for 2008. We believe that the quality of our operations and the geographic diversity that is evident at IROC will cushion the impact of the downturn to some degree. Continued year over year improvement in revenues and EBITDAS is our goal, something that we are confident in accomplishing over the winter.

Again, I would reiterate that at any single point in time markets rarely reflect the true value of a company and its prospects. From the groundswell of negative news over the past few months a situation has evolved where the smaller Canadian service companies are all being treated alike. We believe that over time it will become clear that the relative performance of IROC will attract support as the market turns. As always, we appreciate your patience as we continue to build our company during the difficult conditions we currently operate under. It is our belief that your patience will be rewarded in the future.

Respectfully submitted,



Thomas M. Alford
IROC Energy Services 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

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

(Expressed in thousands of dollars, except per share amounts)

	<u>For the 3 months ended September 30,</u>			<u>For the 9 months ended September 30,</u>		
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	2007	2006	% Change	2007	2006	% Change
Revenue - continuing operations	\$18,899	\$16,359	16%	\$56,675	\$45,139	26%
Operating costs	11,742	9,890	19%	34,816	28,669	21%
Gross margin	7,157	6,469	11%	21,859	16,470	33%
Gross margin %	38%	40%	-5%	39%	36%	8%
General and administrative expenses	2,593	2,353	10%	7,830	6,117	28%
EBITDAS - continuing operations ⁽¹⁾	4,564	4,116	11%	14,029	10,353	36%
Per share diluted	0.10	0.11	-9%	0.32	0.27	19%
Net earnings - continuing operations	367	971	-62%	1,865	2,435	-23%
Per share diluted	0.01	0.03	-67%	0.05	0.07	-29%
Net earnings	369	933	-60%	1,945	2,201	-12%
Per share diluted	0.01	0.03	-67%	0.05	0.06	-17%
Number of shares outstanding						
Basic	44,251,080	37,908,819	17%	43,164,377	37,634,643	15%
Diluted	44,336,011	38,192,163	16%	43,273,275	38,168,496	13%

(1) Refer to the "NON-GAAP MEASURES" section for details.

This Management's Discussion and Analysis (MD&A) dated November 9, 2007 focuses on key statistics from the consolidated financial statements of IROC Energy Services Corp. ("IROC" or the "Corporation") for the three and nine months ended September 30, 2007 as compared to the three and nine months ended September 30, 2006, 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 and nine months ended September 30, 2007 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. 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; 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 "Business Risks".

OVERALL PERFORMANCE

While the third quarter of 2007 improved substantially from the second quarter of 2007 our expected results continue to be hampered by lower industry equipment utilization and downward pressure on pricing, particularly in drilling services. The continuing uncertainty of natural gas pricing has led many Canadian oil and gas producers to limit spending and curtail drilling and completion programs throughout 2007 and industry forecasters believe this will continue through fiscal 2008. The reductions in forecasted wells comes at time when equipment capacity of oilfield service companies is at an all time high creating significant competition in terms of pricing and ultimately profitability. Natural gas storage levels in North America remain at very high levels which impacts pricing of the commodity. Some customers are attempting to shift plans toward oil related activities as the fundamentals for this commodity have moved substantially higher (exceeding \$95 per barrel recently). Natural gas has historically represented the bulk of activities in Western Canada and as such expectations are for lower year over year operating results from oil and gas service companies as a result of fewer wells being drilled and completed. Despite the less than desirable conditions of the industry IROC was able to report increases in both revenues and EBITDAS for the three and nine months ended September 30, 2007 as compared to the prior year period.

Revenue for the nine months ended September 30, 2007 was \$56.7 million compared to \$45.1 million for the same period in 2006, representing an increase of 26%. IROC's revenue from continuing operations for the three months ended September 30, 2007 increased 16%, from \$16.4 million to \$18.9 million compared to the same period in 2006. Revenue increased year over year for both the three and nine months primarily as a result of additional equipment capacity from internal growth initiatives in service rigs and rental assets, manufacturing capacity increases in downhole tools coupled with the purchase of drilling rig assets during the first quarter of 2007 which contributed positively to the year to date results. IROC experienced higher than industry average utilization of service rig equipment during the quarter, although lower in comparison to the prior year period. Offsetting this IROC experienced significantly lower utilization levels of equipment in all others service lines during the quarter. The Corporation recorded net earnings from continuing operations of \$1.9 million, or \$0.05 per share, for the nine months ended September 30, 2007, a decrease of 23% compared to the net earnings from continuing operations of \$2.4 million for the nine months ended September 30, 2006. For the three months ended September 30, 2007 IROC earned net income from continuing operations of \$0.4 million or \$0.01 per share compared to \$1.0 million or \$0.03 per share in the comparable period of 2006. The decrease in the net earnings for the three months ended September 30 2007 compared to 2006 is due to higher depreciation and amortization expense in the current year as a result of significant additions to equipment in the past year as well as higher interest costs for debt servicing due to higher debt incurred to support the growth over the past two years. Net earnings after the effect of discontinued operations for the nine months ended September 30, 2007 was \$1.9 million or \$0.05 per share compared to \$2.2 million or \$0.07 per share for comparable period of the prior fiscal year representing a decrease of 12%.

EBITDAS from continuing operations for the three months ended September 30, 2007 was \$4.6 million or \$0.10 per share compared to \$4.1 million, or \$0.11 per share, in the same three month period of 2006. For the nine months ended September 30, 2007 EBITDAS was \$14.0 million or \$0.32 per share compared to \$10.4 million or \$0.27 per share in the same period of 2006, an increase of 36%. The increase in EBITDAS, despite a very difficult operating environment so far in 2007 is as a result of the continuing growth in revenue as discussed above coupled with gross margin improvements driven by cost containment across all divisions and above industry average utilization on service rigs. EBITDAS as a percentage of revenue was 24.8% for nine months ended September 30, 2007 as compared to 22.9% for the same period of 2006.

IROC's operations are reported in two segments. The Drilling and Production Services segment includes well servicing, contract drilling services, oilfield rental equipment and lease building and road construction product lines. The Technology Services segment includes safety, communications, monitoring and downhole tool product lines. The following is a discussion of the reporting segments in which IROC operates.

DRILLING AND PRODUCTION SERVICES

The Drilling and Production Services segment earned revenue from continuing operations for the three months ended September 30, 2007 of \$13.5 million or 72% of total revenue for the quarter as compared to the corresponding period in 2006 of \$10.4 million or 63% of total revenue. For the nine months ended September 30, 2007 revenue from Drilling and Production Services segment was \$40.2 million or 71% of total revenue as

compared to the same period of 2006 of \$29.0 million or 64% of total revenue. The \$11.2 million or 39% increase in revenue for the nine months ended September 30, 2007 over the same period in 2006 was the result of the first quarter addition of drilling rigs which contributed approximately \$5.2 million of the increase with the remainder coming from capital additions during fiscal 2006 and 2007 in service rigs and rental assets. Although equipment utilization during the third quarter of 2007 was lower than the comparable period of 2006 as a result of reduced demand in activity in the industry as whole, we were able to exceed industry averages for utilization particularly in the well servicing portion of this segment. During the nine months ended September 30, 2007 the Drilling and Production Services segment generated \$13.3 million of EBITDAS compared to \$9.3 million in the same period of 2006. For the three months ended September 30, 2007, the Drilling and Production Services segment generated positive EBITDAS of \$4.5 million compared to \$3.5 million in the same period of 2006 an increase of 28%. The increase in EBITDAS for the three month period was primarily from increased equipment capacity compared to the prior year coming from additional service rigs, additional pressure control rental assets and drilling rigs. The nine month increase year over year comes from the addition of service rigs whereby the third quarter of 2007 began with a fleet of 26 service rigs compared to 21 rigs in the third quarter of 2006. The increase was also as a result of the addition of the drilling rig assets during the first quarter of 2007 (which contributed positively to the results), and the increasing complement of rental assets as we continue to build-out the Aero Rentals division which did not exist during the first nine months of 2006.

Eagle Well Servicing ("Eagle"), which comprises a significant portion of the Drilling and Production Services segment, finished the third quarter of 2007 with a fleet of 28 service rigs of which 27 were actively working. Eagle operated an average of 26.2 rigs during the third quarter of 2007 with utilization of approximately 54% compared to 19.5 rigs and 71% utilization in the comparable period of 2006. Eagle continues to experience better than industry average equipment utilization through the first nine months of fiscal 2007 in spite of the lower industry demand brought on by reduced commodity prices. Management believes the higher utilization is driven from having one of the newest fleets of equipment in the industry which translates into higher efficiency for producers. Eagle has built and will deploy to the field 2 additional service rigs in the fourth quarter bringing its total fleet of service rigs to 30. Revenue generated from Eagle during the third quarter was \$9.4 million compared to \$8.3 million in the same period of 2006. EBITDAS from Eagle was \$3.3 million compared to \$2.4 million for the comparable period of 2006, representing an increase of 42%. Revenue increased as a result of the additional equipment capacity. EBITDAS not only improved from additional equipment capacity year over year, but was also enhanced as a result of focus on cost containment. Revenue for the nine months ended September 30, 2007 was \$27.8 million compared to \$24.0 million in 2006, an increase of 16%. Eagle generated EBITDAS of \$9.9 million compared to \$7.2 million in the same period of 2006 leading to an increase of 38%.

Mission Drilling began operations during the first quarter of fiscal 2007 with the purchase of four new drilling rigs, three of which were immediately deployed to the field, and with the fourth rig being delivered and deployed in early June. Mission Drilling, like many other drilling contractors, has experienced a reduced activity level brought about by declining natural gas prices which has affected many oil and gas producers drilling programs. Mission's utilization for the third quarter was approximately 22% which was below the industry average. The lower than average rig utilization was partially the result of wet weather conditions during August which delayed drilling activities for Mission's customers that had contracted the rigs for work during this period coupled with increased competition from excess equipment capacity in the industry. Drilling rig industry activity during the third quarter of 2007 continued to see suppressed levels of drilling activity on a year over year basis. Also, drilling rig day rates continue to be pressured given the reduced utilization in the industry and increased equipment capacity. Lower pricing for drilling rig day rates has reduced profitability substantially as costs of operating, which consist predominantly of wages and benefits, have not reduced in the same way. The ability to source qualified personnel has become increasingly difficult even though overall industry activity levels are down as more people have migrated away from the industry. We expect pricing pressure will continue through the remainder of fiscal 2007 and into 2008, leading to lower profitability in this segment of the business as wages and field crew rates are not expected to subside for 2008. Lower utilization is expected to persist until the high natural gas storage levels in North America are reduced and oil and gas producers in Western Canada can access the capital required to fund exploration for new reserves. Mission Drilling has contributed positively to the results generating approximately 13% of the total revenue for the Drilling and Production Services segment during the nine months ended September 30, 2007. EBITDAS was \$1.2 million for the nine months ended September 30, 2007.

Aero Rentals (“Aero”) commenced commercial operations late in the third quarter of fiscal 2006. Aero provides rental equipment for surface pressure control in drilling and workover operations and tubular handling equipment in the workover, re-entry and completion areas. During the first nine months of fiscal 2007 Aero contributed \$2.9 million or 7% of the Drilling and Production Services segment total revenue, however, resulted in negative EBITDAS of \$0.5 million for the nine month period. Management’s focus in Aero is to generate stable revenue and earnings streams as we continue to focus on sales and marketing efforts in this division. In order to be competitive and gain market share we must have an appropriate equipment base to offer customers and as such we continued with internal capital growth in Aero through the third quarter of fiscal 2007. Through the first nine months of fiscal 2007 we spent \$4.1 million of the total \$4.7 million planned capital expenditures for Aero. Management expects that the organic growth model employed by Aero will provide favourable year over year results going forward as the business begins to gain traction with customers. Aero has been significantly affected by the slower activity during 2007 with equipment utilization at lower levels than expected. The costs in this division are somewhat fixed in nature and as such has led to negative EBITDAS during 2007. It is anticipated that with increased activity levels and expanded equipment inventories, Aero should generate higher gross margins as activity ramps up leading to better performance. Activity has improved in Aero in the early part of the fourth quarter.

Envirocore continues to focus on internally generated growth initiatives to grow its lease and road construction business. While this division is small in comparison to our other divisions in Drilling and Production Services segment it continues to produce consistent positive results. The operations of Envirocore, focused primarily in Northeast British Columbia, have not been negatively impacted by the reduced drilling activity in the Western Canadian Sedimentary Basin. We are expecting normal activity levels through the winter months in fiscal 2007 and into fiscal 2008, and we continue to look for opportunities to expand our commitments in this division. For the nine months ended September 30, 2007, this division generated approximately 11.0% of total segment revenue and contributed positively to the EBITDAS for the segment of approximately \$1.1 million.

TECHNOLOGY SERVICES

The Technology Services segment generated revenue of \$5.4 million, or 28% of the Corporation’s total revenue, for the three months ended September 30, 2007, compared to \$6.0 million or 37% of total revenue for the comparable period of fiscal 2006. For the nine months ended September 30, 2007 revenue from Technology Services segment was \$16.4 million or 29% of total revenue as compared to the same period of 2006 of \$16.2 million or 36% of total revenue. For the three months ended September 30, 2007, the Technology Services segment generated positive EBITDAS of \$0.6 million compared to \$1.4 million in the same period of 2006. This decline is attributed to lower than normal industry activity levels in both the Oricomm and IROC Safety Services divisions during the quarter, as well as reduced margins in Canada Tech due to the strengthening of the Canadian dollar as revenues in Canada Tech are predominately based in US currency. EBITDAS for the nine months ended September 30, 2007 was \$2.2 million compared to \$2.7 million during the same period of 2006, a decrease of 18%.

Canada Tech Corp. (“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. Canada Tech for the first nine months of 2007 contributed revenue of approximately \$11.1 million or 68% of the total Technology Services segment revenue. Canada Tech has not experienced the lower activity level impact that the other businesses that IROC operate in due to its international operations. EBITDAS for Canada Tech for the three months ended September 30, 2007 was \$0.4 million compared to \$0.7 million in the same period of 2006 representing a decrease of 43%. For the nine months ended September 30, 2007, EBITDAS was \$1.5 million compared to \$1.8 million in the same period of 2006, representing a decrease of 17%. Revenue has improved year over year in the three and nine month periods as a result of sales and marketing efforts into international markets supported by further manufacturing and production enhancements that focus on improved quality control and cost effective manufacturing. On the other hand, EBITDAS has decreased year over year for both the three and nine month periods primarily from the rise in the Canadian dollar against most other major currencies which has begun to put pressure on gross margins. We are monitoring our pricing to ensure we are competitive and able to achieve appropriate margins and in some cases have begun moving pricing forward to attempt to mitigate the effects of the strengthening Canadian dollar on gross margins. We continue to invest in capital to increase manufacturing capacity and capabilities with a focus on improved quality and are on pace to make approximately \$1.0 million in capital expenditures in Canada Tech’s business during fiscal 2007.

Oricomm, our communications and monitoring division, continues with the development of its communication technology and infrastructure combined with the advancements and focus on high end remote communications technology. Oricomm performed below our expectations for the quarter and year to date has not met our internal expectations. Oricomm generated approximately 17% of the total revenue for the Technology Services segment for the nine months ended September 30, 2007 resulting in a positive EBITDAS of \$0.2 million for the nine month period. For the three months ended September 30, 2007 results were below expectations as Oricomm generated \$0.6 million in revenue and negative EBITDAS of \$0.1 million. The negative EBITDAS during the quarter was a result of very slow ramp up in activity after the end of the traditional spring break-up period coupled with the fact that a significant portion of Oricomm's operating costs are fixed in nature and as a result of low industry activity levels there was a decrease in profitability. The continued focus on marketing efforts in Oricomm's services to develop new revenue sources from additional customers and increase revenues from existing customers should continue to have positive impacts on the results for the remainder of the year. Additionally, our expertise in this area has allowed for the advancement of communication related projects in our other operating segments, particularly through pilot projects with Canada Tech and Eagle. All 30 Eagle service rigs now have EagleLink - Service Rig Communication Packages which provide some of the most advanced remote satellite communications systems in the industry. EagleLink provides stable communications from head office and the rig superintendents, safety line for emergencies, an added value to customers to aid them in their daily business operations, field tickets in on time and quickly through electronic ticketing system among other benefits.

IROC Safety provides safety equipment using the latest technology available to the oil and gas service industry and has inventory that includes safety trailers, personal gas monitors and wireless gas detection devices. IROC Safety has not performed up to our internal estimates through September 30, 2007 generating 15% of the total revenue for the Technology Services segment. The lower industry activity year over year continues to have a direct impact on the financial results of this division. The decline in natural gas prices along with high storage level concerns have prompted many oil and gas producers to reduce their capital programs, particularly in areas of shallow gas drilling, resulting in lower than expected utilization in our safety, monitoring and communications product lines. We expect that performance should improve through the remainder of the year as winter drilling programs get underway.

CORPORATE SERVICES

IROC's non-operating segment, Corporate Services, captures general and administrative expenses associated with supporting each of the reporting segments operations noted above, plus costs associated with being a public company. Also, included in Corporate Services is interest expense for debt servicing and income tax expense. The impact on EBITDAS from the Corporate Services for the nine months ended September 30, 2007 was negative \$2.1 million compared to negative \$2.2 million for the comparable period of 2006.

RESULTS OF OPERATIONS

Revenue

For the three months ended September 30, 2007, IROC recorded quarterly revenue from continuing operations of \$18.9 million compared to \$16.4 million in the same period of 2006, an increase of \$2.5 million or 16%. Revenue increased from \$45.1 million to \$56.7 million, an increase of 26%, for the nine months ended September 30, 2007 compared to the same period in 2006. The year over year increases are due to the effect of capital expenditures on equipment in the past two years and continuing through fiscal 2007 with the purchase of four new drilling rigs, the addition of new service rigs and approx. \$4.1 million worth of new rental equipment assets to date. However, the effect of an overall decrease in industry activity brought about by depressed commodity prices for natural gas and concerns over high natural gas storage levels in North America has reduced expected year over year quarterly and year to date revenue increases. While the demand for services continues to be low, we have increased revenue 26% year over year for the nine month period and 16% year over year for the third quarter. This was achieved from continued strong demand for our service rigs, the creation of Mission Drilling during the first quarter and exposure to international markets through Canada Tech, which markets have not been impacted by the broad based slowdown in Canada.

A summary of the Corporation's mix of revenues from our operating segments is shown in the following table and demonstrates the changes that have occurred in revenue sources:

	Three months ended September 30,		Nine months ended September 30,	
	<i>(Unaudited)</i> 2007	2006	<i>(Unaudited)</i> 2007	2006
REVENUE SOURCE				
Drilling and Production Services	72%	63%	71%	64%
Technology Services	28%	37%	29%	36%
TOTAL	100%	100%	100%	100%

We expect the allocation of revenues for fiscal 2007 will be approximately 70% from Drilling and Production Services and 30% from Technology Services.

Operating Costs and Gross Margin

For the three months ended September 30, 2007 operating costs of continuing operations were \$11.7 million (62% of revenue) as compared to \$9.9 million (60% of revenue) for the three months ended September 30, 2006. Operating costs for the nine months ended September 30, 2007 were \$34.8 million (61% of revenue) compared to \$28.7 million (64% of revenue) for the nine months ended September 30, 2006. Gross margin of 38% for the third quarter is relatively comparable to the gross margin in the third quarter of 2006 of 40%. The decrease in the margin year over year is the result of pricing pressure in the drilling rig day rates and the effect of higher third party sub rentals within the Aero Rentals division. Gross margins for the nine months ended September 30 were 39% and 36% for 2007 and 2006 respectively. The improved margin in the nine month period is from consistent pricing on service rigs throughout the year and a focus on cost containment in light of the current operating conditions in the industry currently. Historically, gross margins in the third quarter rebound from the second quarter as activity increases through the summer and into the fall. We estimate margins for fiscal 2007 in the range of 36% to 39% overall.

Significant growth and expansion through the increases in the service rig fleet, addition of contract drilling rig services, the build-out of our fleet of rental equipment and communication equipment and services and the continued growth of downhole tool sales in Canada Tech have resulted in a substantially different mix of revenues, costs and margins for IROC as compared to prior period of 2006. Given the increased cost structure overall to conduct business in the oil and gas services industry, IROC has managed to contain costs despite the fact that labour, fuel, equipment and many other operating costs have not subsided in step with the overall slowdown in activity in the conventional oil and gas industry. We continue to focus on operating cost efficiencies in all areas of our business.

General and Administrative Expenses

General and administrative expenses ("G&A") for the three month period ended September 30, 2007 were \$2.6 million (13.7% of revenue) compared to \$2.4 million (14.4% of revenue) in the comparable period of 2006. For the nine months ended September 30, 2007 G&A expenses were \$7.8 million (13.8% of revenue) compared to \$6.1 million (13.6% of revenue) for the same period in 2006. While there are year over year increases, it is worth noting that our G&A expenses have stabilized from the large increases seen in the past quarters. The year over year increases of \$0.2 million and \$1.7 million for the three and nine month periods, respectively, are primarily attributable to our investment in the overall infrastructure costs in the past year to appropriately support and manage the growth of our businesses. There has been an overall head count increase consistent with the growth of IROC, coupled with higher employee compensation costs to remain competitive in the industry and increased consulting costs and professional fees to address the immediate demands of our business. All of these increases in G&A negatively impacted the operating results of the Corporation in the immediate term as revenue related to growth initiatives takes time to develop positive contributions which we are starting to see the benefit from these investments. Our infrastructure is at a point that it can handle additional capacity without incurring significant additional costs. Management is focusing our G&A spending predominantly on sales and marketing efforts to continue to develop and support the revenue and profitability growth of the Corporation. Efforts are also being made to reduce G&A in various areas to address the slowing market conditions and contain costs during these periods.

Stock-based Compensation Expense

Stock-based compensation expense totaled \$0.1 million for the three months ended September 30, 2007 compared to \$0.1 million in the comparable period of 2006. For the nine months ended September 30, 2007 stock-based compensation expense was \$0.5 million compared to \$0.8 million in the same period of 2006. The Corporation utilizes a stock option plan as part of its incentive compensation arrangements for key employees. The higher stock-based compensation expense in 2006 can be attributed to the larger number of stock options granted during fiscal 2006 as a result of new employees being granted stock options as part of their incentive compensation to remain competitive in the industry. Fewer options have been required in fiscal 2007 as head count in key positions has remained relatively unchanged. The impact of stock-based compensation expense has a non-cash impact on the operating results of the Corporation and the amount expensed represents the estimated fair value of the stock options granted using various assumptions using the Black-Scholes option pricing model, and is an estimate of the compensation expense affected by conditions existing at the time of granting of the related stock options.

Depreciation and Amortization

For the three months ended September 30, 2007 depreciation and amortization expense of continuing operations totalled \$2.5 million, an overall increase of 56% compared to \$1.6 million of depreciation and amortization in the corresponding period of 2006. Depreciation and amortization expense was \$7.2 million for the nine months ended September 30, 2007 or 69% higher than the comparable nine month period of 2006. The increase is a direct result of the increases in the depreciable asset base from internal capital build programs and prior business acquisitions. For the nine months ended September 30, 2007 and 2006, depreciation and amortization expense of continuing operations as a percentage of revenue was 12.8% and 9.5%, respectively. The value of assets subject to depreciation and amortization increased 105% year over year, which was primarily from the addition seven new service rigs since September 30, 2006 and four new drilling rigs at a cost of approximately \$34.1 million.

Interest Expense

Interest expense increased by \$0.7 million for the three months ended September 30, 2007 compared to the same period in 2006. For the nine months ended September 30, 2007 interest expense increased by \$2.0 million from the comparable period of 2006. The increase is due to the substantial increase in total debt from \$31 million as at September 30, 2006 to \$63 million as at September 30, 2007. The additional debt was incurred to finance the Corporation's investment in internal capital expenditures during the last eighteen months as well as the acquisition of four drilling rigs.

Gain on disposal of Property and Equipment

For the nine months ended September 30, 2007 the Corporation realized a gain on disposal of property and equipment of \$0.3 million and \$0.1 million for the three month period. The current year gain relates primarily to the sale of a building during the second quarter coupled with disposal of some non-core service equipment, primarily services vehicles.

Income taxes

The total income tax expense for the nine months ended September 30, 2007 totalled \$1.1 million as compared to \$1.5 million in the corresponding period of 2006. At the expected combined income tax rate of 32.12%, net earnings before income taxes from continuing operations for the nine months ended September 30, 2007 of \$2.9 million would have resulted in an income tax provision of approximately \$0.9 million compared to the actual provision booked of \$1.1 million. There was a reduction of approximately \$0.3 million for non-deductible items for income tax purposes offset by a reduction for current income tax expense for research and development tax credits claimed for the 2006 tax year and realized in the current fiscal year. The current income tax expense relates to Canada Tech which is currently taxable and is not included in the partnership structure at this time.

SUMMARY OF QUARTERLY RESULTS

The following table presents the unaudited selected financial data for each of the last eight quarters of the Corporation ended September 30, 2007.

(Expressed in thousands of \$'s, except per share amounts – “Unaudited”)

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	2007	2007	2007	2006	2006	2006	2006	2005
Revenue-continuing operations	18,899	11,815	25,961	17,173	16,359	11,203	17,577	13,493
Net earnings (loss) from continuing operations	367	(1,682)	3,178	672	972	(539)	2,001	1,064
Per share – basic	0.01	(0.04)	0.08	0.02	0.03	(0.02)	0.05	0.03
Per share - diluted	0.01	(0.04)	0.08	0.02	0.03	(0.02)	0.05	0.03
Net earnings (loss)	369	(1,681)	3,256	(111)	934	(781)	2,048	1,025
Per share – basic	0.01	(0.04)	0.08	(0.01)	0.03	(0.02)	0.05	0.03
Per share - diluted	0.01	(0.04)	0.08	(0.01)	0.03	(0.02)	0.05	0.03

Seasonality and Weather

The majority of the Corporation'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 Corporation'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 Corporation's slowest time, and as such the operating results of the Corporation will vary on a quarterly basis.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2007 the Corporation had negative working capital of \$1.3 million as compared to the negative working capital at September 30, 2006 of \$6.2 million. The reason for the increase in the working capital is a result of the removal of the demand features that were previously attached to the debt facilities. Under Canadian GAAP any debt that contains a demand feature is required to be classified as a current liability. On March 30, 2007, the Corporation amended its current credit facility agreement with the Canadian Western Bank and removed the demand feature attached to its revolving capital asset acquisition facility and as such reclassified a portion of the debt as a long-term obligation. The negative working capital at September 30, 2007 arose as a result of the classification of the non-convertible debenture as a current portion of long-term debt as the debenture matures in September 2008 and is required to be classified as a current liability. If not for the reclassification of the debenture the working capital would have been positive \$5.3 million. During the three months ended September 30, 2007 the Corporation utilized its existing credit facilities to acquire capital assets under its previously announced capital budget which has increased the total liabilities as at September 30, 2007.

The Corporation's credit facility agreement with Canadian Western Bank consists of a demand operating credit line of \$12.5 million, an extendible revolving capital asset acquisition facility of up to \$35 million to finance corporate and internal growth and a \$2.5 million lease line. The extendible revolving capital asset acquisition facility of up to \$35 million requires no principal payments during the term. The original agreement expired on July 26, 2007 and was renewed for a period of 364 days to July 25, 2008. If not renewed on July 25, 2008, the facility is repayable over a period of three years. This revised credit facility also gives the Corporation the benefit of reclassifying the debt, in part, as a long-term debt, thereby allowing for a clear indication of our true working capital position. This has allowed the Corporation more flexibility with its cash flow and to continue to execute its organic growth plans. All covenants of the credit facility were satisfied at September 30, 2007. The Corporation does not anticipate any covenant issues restricting its future operating, investing or financing activities.

Future cash requirements will be met through funds from operations, additional 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. Management considers the resources available sufficient to fund IROC's existing commitments and working capital requirements for at least the next year.

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. 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.

IROC's contractual financial obligations are summarized as follows:

Contractual Obligations	Payments Due by Period				
	Total	Next 12 months	1-3 years	4-5 years	After 5 years
Long-term debt	\$ 56,224	\$ 12,042	\$ 42,932	\$ 1,250	\$ -
Obligations under capital lease	\$ 2,008	\$ 888	\$ 1,120	\$ -	\$ -
Operating leases(1)	\$ 5,312	\$ 1,526	\$ 2,448	\$ 458	\$ 880
Total contractual obligations	\$ 63,544	\$ 14,456	\$ 46,500	\$ 1,708	\$ 880

(1) Operating leases relate primarily to buildings and lands leased in operations and service vehicles used in day to day operating activities.

CAPITAL EXPENDITURES

Capital expenditures of continuing operations for the three months ended September 30, 2007 were \$6.4 million, which included the addition of three new service rigs, drilling rig support equipment and various pressure control rental assets. For the nine months ended September 30, 2007 capital expenditures of continuing operations were \$53.6 million which includes property and equipment purchases related to the purchase of the four drilling rigs during the first quarter for costs of approximately \$34.1 million. These capital expenditures were financed using cash generated from operations, debt financing and issue of common shares. The following is a summary of the capital expenditures incurred during the first nine months of fiscal 2007:

- \$36.1 million for drilling rigs and related equipment;
 - 11.1 million for service rigs and related equipment;
 - 4.1 million for rental services equipment;
 - 0.4 million for heavy equipment in lease construction services segment ;
 - 0.3 million for downhole tools manufacturing capacity expansion and development;
 - 0.2 million for safety, communication and monitoring assets; and
 - 1.4 million for other ancillary operating equipment and infrastructure costs.
- \$53.6 million

The largest expenditures were for the purchase of four drilling rigs and the start-up of a new contract drilling division during the first quarter, followed by the continued purchase and construction of ten new service rigs and related equipment. The Aero Rental Services division continued growing its equipment offering with assets being purchased during fiscal 2007 totaling \$4.1 million. The remainder of the capital costs incurred were spread over an array of support equipment.

As a result of our strategy to organically grow our capital asset base where possible, IROC's capital assets, as a whole, are in new or like new condition. Our new drilling rigs and service rigs represent the largest percentage of the Corporation's overall fixed assets.

The vast majority of the Corporation's capital budget related to growth capital driven by the continued demand for the Corporation services as well as the strategy of developing its services through internal growth. The 2007 capital expenditure program was almost complete at the end of the third quarter of fiscal 2007 and the remainder will be financed from internally generated funds from operations and additional credit facilities or equity financing as required.

The remaining 2007 capital expenditures are expected to include and should be substantially completed early in the fourth quarter:

- \$ 5.0 million for service rigs and related equipment;
- 0.5 million for remaining build out of rental services equipment;
- 0.5 million for downhole tools manufacturing capacity expansion and development;
- 0.1 million for other ancillary operating equipment and infrastructure costs.
\$6.1 million

OUTSTANDING SHARE DATA

Balance at January 1, 2007	38,017,080
Issued on acquisition of drilling rig equipment	6,200,000
Issued on exercise of stock options	34,000
Balance at November 9, 2007	44,251,080

OFF BALANCE SHEET ARRANGEMENTS

IROC has not entered into any off-balance sheet arrangements, except for various operating leases.

TRANSACTIONS WITH RELATED PARTIES

There were no significant or material transactions with related parties during the three and nine months ended September 30, 2007.

CHANGES IN ACCOUNTING POLICIES

The Corporation prepares its financial statements in accordance with Canadian GAAP. Except as disclosed below, accounting policies have been applied consistently during all periods included in the financial statements. Certain information of the previous period has been reclassified to conform to the presentation adopted in the current year.

During the year the Corporation acquired drilling rig assets and is being amortized on a unit of production basis over on an estimated useful life of 3,650 days.

ACCOUNTING PRONOUNCEMENTS

The CICA has issued two new accounting standards. The Corporation adopted these standards effective January 1, 2007, which are summarized below:

On adoption of the new standards, the Corporation elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantially modified after January 1, 2003. The Corporation did not identify any material embedded derivatives, which required separate recognition and measurement. The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which may report the changes in fair value in derivatives designated as cash flow hedges and available-for-sale investments and foreign currency translation. The Corporation has no "other comprehensive income or loss" transactions during the three and nine months ended September 30, 2007 and no opening or closing balances for the accumulated other comprehensive income or loss.

FINANCIAL INSTRUMENTS

IROC's financial instruments consist of accounts receivable, an operating line of credit, long-term debt and accounts payable and accrued liabilities. There are no significant differences between the carrying values of these financial instruments and their estimated fair values. Of IROC's financial instruments, only its accounts receivable represents credit risk. Management views the credit risks with its customers as normal for the industry.

NON-GAAP MEASURES

The financial statements have been prepared in accordance with GAAP. Certain supplementary information and measures not recognized under GAAP are provided where Management believes they assist the reader in understanding IROC's results. These measures include:

1. EBITDAS - EBITDAS is defined as earnings before interest, taxes, depreciation and amortization, stock-based compensation expense, foreign exchange gains and losses and gains or losses on disposal of property and equipment. EBITDAS and EBITDAS per share are not recognized measures under GAAP. Management believes that EBITDAS is provided as a measure of operating performance without reference to financing decisions, income tax impacts and non-cash expenses, which are not controlled at the operating management level. Accordingly, management believes EBITDAS 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. Investors should be cautioned that EBITDAS should not be construed as an alternative to net income determined in accordance with GAAP as an indicator of the Corporation's performance. IROC's method of calculating EBITDAS may differ from those of other companies, and accordingly, EBITDAS may not be directly comparable to measures used by other companies.

The following is a reconciliation of EBITDAS to net income from continuing operations:

<i>(in thousands of dollars)</i>	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<i>("Unaudited")</i>		<i>("Unaudited")</i>	
	2007	2006	2007	2006
Net earnings (loss) - continuing operations	\$367	\$971	\$1,865	\$2,435
Add:				
Depreciation and amortization	2,490	1,601	7,228	4,286
Other interest	211	120	369	246
Interest on long-term debt	850	195	2,327	401
Interest and accretion on debentures	236	236	707	707
Stock based compensation expense	121	143	507	806
Foreign exchange loss (gain)	132	(1)	224	40
Gain on disposal of equipment	(99)	0	(250)	(36)
	4,308	3,265	12,977	8,885
Income taxes:				
Current (recovery)	16	216	52	448
Future (recovery)	240	635	1,000	1,020
EBITDAS - continuing operations	4,564	4,116	14,029	10,353

BUSINESS RISKS

Certain activities of the Corporation are affected by factors that are beyond its control or influence. Additional risks and uncertainties that management may be unaware of, or that they determine to be immaterial may also become important factors which affect the Corporation. A complete discussion on business risks faced by the Corporation may be found under "Risk Factors" in the Corporation's Annual Information Form dated March 30, 2007 which is available under the Corporation's profile at www.sedar.com.

DISCLOSURE CONTROLS

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) have evaluated the effectiveness of the Corporation’s disclosure controls and procedures, as at the end of the period covered by the interim filings, and have concluded that such disclosure controls and procedures were effective to provide reasonable assurance that material information related to the Corporation or its subsidiaries is made known to them. It should be noted that while the Corporation’s CEO and CFO believe that the Corporation’s disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system is met.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the design of the Corporation’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Corporation’s internal controls over financial reporting during the quarter ending September 30, 2007 since the annual report dated March 22, 2007.

OUTLOOK

Demand for oilfield services has fallen significantly from levels seen in recent years. The recent build of underground natural gas storage levels and record industry equipment capacity are expected to keep equipment utilization at low levels for the foreseeable future, with continued price competition. The increases in the North American natural gas supply has been driven by strong onshore drilling activity in the United States which will offset the anticipated production decrease of lower natural gas drilling in the Canadian market. The weakening of the U.S. dollar relative to the Canadian dollar has also created an additional level of uncertainty for Canadian producers cash flows further impacting near term prospects for improving demand for services. IROC expects that these conditions will persist until natural gas inventory levels fall to more normal levels and near term natural gas prices strengthen.

Management expects that continued lower drilling activity to eventually help restore balance to North American gas storage levels and stimulate Canadian drilling and well servicing demand. Some of the factors that will impact this include lower initial well production, steep first-year production decline rates, lower service company pricing and rising natural gas consumption from North American economic growth which should positively affect natural gas storage levels and ultimately the pricing leading to potentially higher activity.

To add to these already significant factors affecting the oil and gas industry is the announcement on October 25, 2007 by the Alberta government for a new royalty tax framework for oil and gas producers. We anticipate that as a result of this announcement there will be a further reduction in industry activity levels and industry forecasters, such as PSAC and CAODC, have reflected this in their 2008 forecast for wells drilled both of which are calling for substantial decreases from 2007 levels which were already seen as low. While the magnitude of the actual impact will depend on the results of oil and gas companies analysis of the impact and the final form of the royalty framework it will very likely affect many oilfield service providers.

For further information, please contact:

Thomas M. Alford, President & CEO or Kevin W. Howell, CFO

Telephone: (403) 263 - 1110

Facsimile: (403) 263 - 1182

E-mail: investorrelations@iroccorp.com

Consolidated Financial Statements of

IROC ENERGY SERVICES CORP.

Three and nine months ended September 30, 2007 and 2006

IROC ENERGY SERVICES CORP.

Consolidated Balance Sheets

Expressed in thousands of dollars
(Unaudited)

	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	17,269	16,942
Inventory	5,796	4,027
Prepaid expenses and deposits	1,628	1,026
Assets of discontinued operations (note 10)	-	905
	<u>24,694</u>	<u>22,901</u>
Property and equipment (note 3)	97,481	51,867
Intangible assets (note 4)	5,392	6,314
Goodwill (note 5)	8,621	7,621
Assets of discontinued operations (note 10)	-	924
	<u>\$ 136,188</u>	<u>\$ 89,627</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating line of credit (note 6)	\$ 4,706	\$ 6,095
Accounts payable and accrued liabilities	7,988	6,511
Income taxes payable	382	435
Callable debt (note 6)	-	19,915
Current portion of long-term debt (note 6)	12,930	851
Liabilities of discontinued operations (note 10)	-	130
	<u>26,006</u>	<u>33,937</u>
Long-term debt (note 6)	45,302	1,792
Non-convertible debentures (note 6)	-	6,361
Future income taxes	3,889	2,960
Shareholders' equity:		
Share capital (note 7)	51,547	37,585
Warrants	828	828
Contributed surplus (note 7)	2,331	1,824
Retained earnings	6,285	4,340
	<u>60,991</u>	<u>44,577</u>
	<u>\$ 136,188</u>	<u>\$ 89,627</u>

See accompanying notes to the interim consolidated financial statements.

Approved on behalf of the Board:

"Tom Alford" Director
"Brian Neeland" Director

IROC ENERGY SERVICES CORP.

Consolidated Statements of Earnings and Retained Earnings

Expressed in thousands of dollars except share and per share amounts
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenue	\$ 18,899	\$ 16,359	\$ 56,675	\$ 45,139
Expenses:				
Operating	11,742	9,890	34,816	28,669
General and administrative	2,593	2,353	7,830	6,117
Stock-based compensation	121	143	507	806
Depreciation and amortization	2,490	1,601	7,228	4,286
Interest and accretion on debentures	236	236	707	707
Interest on long-term debt	850	195	2,327	401
Other interest	211	120	369	246
Gain on disposal of equipment	(99)	-	(250)	(36)
Foreign exchange (gain) loss	132	(1)	224	40
	18,276	14,537	53,758	41,236
Earnings before income taxes from continuing operations	623	1,822	2,917	3,903
Income taxes:				
Current	16	216	52	448
Future	240	635	1000	1,020
Net earnings from continuing operations	367	971	1,865	2,435
Net earnings (loss) from discontinued operations (note 10)	2	(38)	80	(234)
Net earnings	369	933	1,945	2,201
Retained earnings, beginning of period	5,916	3,518	4,340	2,250
Retained earnings, end of period	\$ 6,285	\$ 4,451	\$ 6,285	\$ 4,451
Earnings per share from continuing operations:				
Basic	\$ 0.01	\$ 0.03	\$ 0.05	\$ 0.07
Diluted	\$ 0.01	\$ 0.03	\$ 0.05	\$ 0.07
Earnings (loss) per share from discontinued operations:				
Basic	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.01)
Diluted	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.01)
Earnings per share:				
Basic	\$ 0.01	\$ 0.03	\$ 0.05	\$ 0.06
Diluted	\$ 0.01	\$ 0.03	\$ 0.05	\$ 0.06
Weighted average number of shares outstanding:				
Basic	44,251,080	37,908,819	43,164,377	37,634,643
Diluted	44,336,011	38,192,163	43,273,275	38,168,496

See accompanying notes to the interim consolidated financial statements.

IROC ENERGY SERVICES CORP.

Consolidated Statements of Cash Flows
Expressed in thousands of dollars
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Net earnings from continuing operations \$	367	\$ 971	\$ 1,865	\$ 2,435
Items not affecting cash:				
Depreciation and amortization	2,490	1,601	7,228	4,286
Future income taxes	240	635	1,000	1,020
Stock-based compensation	121	143	507	806
Non-cash accretion on debentures	96	96	288	288
Gain on disposal of property and equipment	(99)	-	(250)	(36)
	3,215	3,446	10,638	8,799
Changes in non-cash working capital balances (note 8)	(851)	(3,457)	(1,137)	(4,512)
	2,364	(11)	9,501	4,287
Discontinued operations (note 10):				
Funds provided by (used in) discontinued operations	2	11	30	(93)
Changes in non-cash working capital balances of discontinued operations	193	(256)	775	241
	2,559	(256)	10,306	4,435
Investing:				
Purchase of property and equipment of continuing operations	(6,385)	(4,703)	(19,669)	(12,685)
Purchase of property and equipment of discontinued operations	-	(141)	-	(141)
Proceeds on disposal of equipment from discontinued operations	-	-	902	-
Proceeds on disposal of property and equipment from continuing operations	801	10	2,150	120
Business acquisitions (note 5)	-	(2,868)	(1,000)	(2,868)
Intangible asset expenditures	-	(438)	-	(771)
Change in non-cash working capital balances (note 8)	1,228	115	(139)	(1,359)
	(4,356)	(8,025)	(17,756)	(17,704)
Financing:				
Issue of common shares	-	184	12	1,032
Issue of callable debt	-	18,441	-	18,441
Operating loan advances (repayments)	(2,341)	(2,773)	(1,388)	1,931
Repayment of long-term debt	(214)	(1,448)	(634)	(1,986)
Deferred financing costs	-	(75)	(200)	(75)
Issue of long-term debt	4,352	-	9,660	714
Repayment of callable term debt	-	(6,019)	-	(6,946)
Share issue costs	-	(29)	-	(29)
	1,797	8,281	7,450	13,082
Decrease in cash	-	-	-	(186)
Cash at beginning of period	1	1	1	187
Cash at end of period	\$ 1	\$ 1	\$ 1	\$ 1

See accompanying notes to consolidated financial statements.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and nine months ended September 30, 2007 and 2006
(Unaudited)

1. Basis of presentation:

IROC Energy Services Corp. (the "Corporation") is a Canadian corporation supplying equipment and personnel to oil and gas contractors and producers. The Corporation's common stock is traded on the TSX.

These interim unaudited consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2006 except as noted below. The disclosures provided below are incremental to those included in the annual consolidated financial statements such that these interim financial statements and the notes thereto should be read in conjunction with the Corporation's audited financial statements for the year ended December 31, 2006 contained in the Corporation's 2006 annual report.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year-end and the results of operations for the interim periods shown in these statements are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the accompanying unaudited interim consolidated financial statements include all adjustments necessary to present fairly the consolidated results of the Corporation's operations and cash flows for the three and nine months ended September 30, 2007 and 2006.

Financial instruments:

On January 1, 2007 the Corporation adopted the new accounting standards regarding the recognition, measurement, disclosure and presentation of financial instruments. The financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. The new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair market value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

On adoption of the new standards, the Corporation elected to recognize, as separate assets and liabilities, only for those embedded derivatives in hybrid instruments issued, acquired or substantially modified after January 1, 2003. The Corporation did not identify any material embedded derivatives, which required separate recognition and measurement.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and nine months ended September 30, 2007 and 2006
(Unaudited)

1. Basis of presentation (continued):

Financial instruments (continued):

The new standards require a new statement of comprehensive income, which is comprised of net earnings and other comprehensive income which may report the changes in fair value in, derivatives designated as cash flow hedges and available-for-sale investments and foreign currency translation. The Corporation had no "other comprehensive income or loss" transactions during the three and nine months ended September 30, 2007 and no opening or closing balances for the accumulated other comprehensive income or loss.

Two new Canadian accounting standards have been issued which will require additional disclosure in the Corporation's financial statements commencing January 1, 2008 about the Corporation's financial instruments and the Corporation's capital with a description as to how it is managed. In addition there is a new standard related to the measurement and disclosure of inventory which will be applied retrospectively effective January 1, 2008. Management is assessing the impact of these changes.

2. Seasonality:

The Corporation'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 Corporation'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 Corporation's slowest time, and as such the operating results of the Corporation will vary on a quarterly basis.

IROC ENERGY SERVICES CORP.

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3. Property and equipment:

			September 30, 2007	December 31, 2006
	Cost	Accumulated depreciation	Net book value	Net book value
Service rig equipment	\$ 52,286	\$ 7,588	\$ 44,698	\$ 36,530
Drilling rig equipment	34,564	625	33,939	—
Rental equipment	8,443	831	7,612	4,307
Heavy equipment	7,734	2,097	5,637	4,966
Field equipment	6,648	3,473	3,175	3,645
Other equipment	2,280	1,317	963	899
Trailers	1,782	1,003	779	861
Leasehold improvements	766	212	554	514
Data acquisition centre	354	230	124	145
	\$ 114,857	\$ 17,376	\$ 97,481	\$ 51,867

On February 16, 2007 the Corporation completed the purchase of four drilling rigs from JMAC Drilling Ltd. ("JMAC") for total consideration of \$33,950 plus transaction costs of \$171. The Corporation is in the process of completing the final accounting for the assets purchased. The consideration for the assets consisted of 6,200,000 common shares of the Corporation issued at a price of \$2.25 per share and five year secured promissory notes in the amount of \$20,000. The promissory notes bear interest at a rate of 9% per annum for the first year and will increase to 10% thereafter. Security for the promissory notes has been granted in the specific assets purchased until the notes are repaid in full. The Corporation will pay only interest on a quarterly basis until March 31, 2008. On March 31, 2008, the Corporation will begin making equal quarterly principal payments plus interest until December 31, 2011. The drilling rig equipment is being amortized on a unit of production basis over an estimated useful life of 3,650 days.

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4. Intangible assets:

Intangible assets consist of the following:

			September 30, 2007	December 31, 2006
	Cost	Accumulated amortization	Net book value	Net book value
Intangible assets	\$6,700	\$ 1,911	\$ 4,789	\$ 5,529
Pre-operating expenditures	770	167	603	719
Deferred financing costs	-	-	-	66
	\$ 7,470	\$ 2,078	\$ 5,392	\$ 6,314

5. Goodwill:

On October 31, 2005, the Corporation acquired all of the issued and outstanding shares of Canada Tech Corp. for \$5,418 in cash and 2,328,452 common shares of the Corporation at the fair value of \$2.827 per share. Included in the purchase agreement was additional contingent consideration of up to \$8,000 due in the event Canada Tech met certain revenue and earnings targets for a 24 month period following the acquisition. During the current fiscal year, the Corporation has recorded an increase in goodwill to reflect the payment of an additional \$1,000 to the former shareholders of Canada Tech as a result of certain revenue targets being met.

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6. Long term debt:

	September 30, 2007	December 31, 2006
Extendible revolving capital asset acquisition facility of up to \$35,000 requiring no principal payments during the term, secured by a general assignment of book debts and a security arrangement covering all assets of the Corporation. Drawings bear interest at the bank's prime rate plus 1.0%. The effective interest rate at September 30, 2007 was 7.25%. The facility expires on July 18, 2008 and is renewable at the lenders option for an additional 364 day period. If not renewed, the facility is repayable over a period of three years.	29,575	—
Notes payable, interest at 9%, payable quarterly until March 31, 2008 and 10% thereafter. Repayment terms are interest only until March 31, 2008 and then sixteen equal quarterly principal payments plus interest beginning on March 31, 2008. (See note 3).	20,000	—
Unsecured non-convertible debentures, interest at 8% payable quarterly, principal repayable on September 12, 2008 The debentures are non-transferable.	6,649	6,361
Obligations under capital leases, repayable in monthly installments totaling \$84 including interest at rates varying from 3.8% to 12.2%, secured by the specific equipment	2,008	2,643
	58,232	9,004
Less current portion	12,930	851
	\$ 45,302	\$ 8,153

On March 30, 2007, the Corporation executed an amendment to its credit facility with Canadian Western Bank. The credit facility was increased to a total availability of \$50 million. The facility consists of a demand revolving operating credit line of \$12.5 million bearing interest at the bank's prime rate plus 0.75%, an extendible revolving capital asset acquisition facility of up to \$35 million bearing interest at the bank's prime rate plus 1.0%, and a \$2.5 million lease line bearing interest at various rates depending on the term of the lease entered into. All three facilities are secured by a general assignment of book debts and a general security agreement covering all of the assets of the Corporation.

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Notes to Consolidated Financial Statements

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7. Share capital:

(a) Authorized:

Unlimited number of voting common shares without nominal or par value

(b) Issued:

	Number	Amount
Balance at December 31, 2006	38,017,080	\$ 37,585
Issued on purchase of drilling rig equipment (note 3)	6,200,000	13,950
Issued on exercise of options	34,000	12
Balance at September 30, 2007	44,251,080	\$ 51,547

(c) Stock options:

Changes in the number of common shares under option during the nine month period ended September 30, 2007 are summarized as follows:

	Number of options	Weighted average price
Total options outstanding, December 31, 2006	1,804,833	\$ 2.75
Granted	520,000	2.01
Exercised	(34,000)	0.35
Forfeited	(435,000)	2.87
Outstanding, September 30, 2007	1,855,833	\$ 2.56
Exercisable at September 30, 2007	1,070,826	\$ 2.58

The average fair value of options issued during the nine months ended September 30, 2007 was \$1.11 per option using the Black-Scholes option pricing model.

(d) Contributed surplus:

The Corporation recorded stock-based compensation expense and contributed surplus of \$507 (2006 - \$806) for the nine months ended September 30, 2007. Contributed surplus was reduced and share capital was increased by \$nil (2006 - \$38) for options that were exercised during the nine months ended September 30, 2007.

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8. Supplemental cash flow information:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Interest paid	\$ 1,201	\$ 576	\$ 3,116	\$ 1,313
Income taxes paid	\$ -	\$ 80	\$ 91	\$ 80
Changes in non-cash working capital components of continuing operations:				
Accounts receivable	\$ (2,686)	\$ (4,346)	\$ (328)	\$ (3,946)
Inventory	(489)	(984)	(1,770)	(2,175)
Prepaid expenses	(22)	140	69	(5)
Accounts payable and accrued liabilities	2,330	1,597	944	1,246
Income taxes payable	16	136	(52)	368
	\$ (851)	\$ (3,457)	\$ (1,137)	\$ (4,512)
Changes in non-cash working capital items in investing activities:				
Deposits on capital assets	\$ (207)	\$ 115	\$ (671)	\$ (1,359)
Accounts payable on capital assets	1,435	-	532	-
	\$ 1,228	\$ 115	\$ (139)	\$ (1,359)

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9. Segmented information:

As at September 30, 2007 the Corporation operates in two main segments, which are substantially in one geographic region. Drilling and Production Services includes service rigs and related equipment, oilfield rental equipment and services, contract drilling rigs and related equipment and lease construction and road building services all of which assist oil and gas companies and contractors in drilling and production activities in oil and gas wells. Technology Services includes remote communications products and services, safety and air monitoring services and equipment, and manufacturing and distribution of downhole pressure and temperature measurement tools all of which provide technology based solutions to assist oil and gas companies in the production of oil and gas.

Three months ended September 30, 2007	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 13,517	\$ 5,382	\$ -	\$ 18,899
Depreciation and amortization	1,700	617	173	2,490
Interest on callable and long-term debt	-	-	1,061	1,061
Interest and accretion on debentures	-	-	236	236
Net earnings (loss) – continuing operations	2,815	182	(2,630)	367
Intangible assets	837	4,555	-	5,392
Goodwill	1,340	7,281	-	8,621
Property and equipment	90,768	5,491	1,222	97,481
Capital expenditures*	6,101	153	131	6,385

* Excludes property and equipment acquired on business acquisitions

Three months ended September 30, 2006	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 10,378	\$ 5,981	\$ -	\$ 16,359
Depreciation and amortization	929	601	71	1,601
Interest on callable and long-term debt	-	-	315	315
Interest and accretion on debentures	-	-	236	236
Net earnings (loss) – continuing operations	2,593	1,255	(2,877)	971
Intangible assets	831	5,481	75	6,387
Goodwill	1,340	5,711	-	7,051
Property and equipment	40,167	6,327	1,003	47,497
Capital expenditures*	3,776	822	105	4,703

* Excludes property and equipment acquired on business acquisitions

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9. Segmented information (continued):

Nine months ended September 30, 2007	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 40,230	\$ 16,445	\$ -	\$ 56,675
Depreciation and amortization	4,859	1,835	534	7,228
Interest on callable and long-term debt	-	-	2,696	2,696
Interest and accretion on debentures	-	-	707	707
Net earnings (loss) – continuing operations	8,408	1,061	(7,604)	1,865
Intangible assets	837	4,555	-	5,392
Goodwill	1,340	7,281	-	8,621
Property and equipment	90,767	5,492	1,222	97,481
Capital expenditures*	52,515	787	317	53,619

* Excludes property and equipment acquired on business acquisitions

Nine months ended September 30, 2006	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 28,956	\$ 16,183	\$ -	\$ 45,139
Depreciation and amortization	2,387	1,749	150	4,286
Interest on callable and long-term debt	-	-	647	647
Interest and accretion on debentures	-	-	707	707
Net earnings (loss) – continuing operations	6,916	1,520	(6,001)	2,435
Intangible assets	831	5,481	75	6,387
Goodwill	1,340	5,711	-	7,051
Property and equipment	40,167	6,327	1,003	47,497
Capital expenditures*	10,716	1,624	345	12,685

* Excludes property and equipment acquired on business acquisitions

Approximately 10.5 % (2006 - 12.2%) of the Corporation's total sales for the period were derived from one customer. This accounts for 14.8% (2006 - 19.5%) of revenue in the Drilling and Production Services division and 0.0% (2006 - 0.0%) of the Technology Services division.

10. Discontinued operations:

During the fiscal year ended December 31, 2006, management identified the remediation and consulting operations, included in the Drilling and Production Services segment, to be disposed of and shut down as a result of financial and operational performance and the need to focus on the continuing operations of the Corporation. The disposal group consisted of certain fixed assets consisting of trucks and trailers used in remediation work and certain inventory utilized in the provision of environmental consulting services. On February 22, 2007 the Corporation entered into a letter of intent to sell the property and equipment of the remediation business and completed this sale during the first quarter of fiscal 2007. The inventory related to the environmental consulting services was written down to a net realizable value of nil at December 31, 2006 as management determined there is no foreseeable market for the disposal of this inventory.

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10. Discontinued operations (continued):

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue from discontinued operations	\$ -	\$ 1,040	\$ 277	\$ 2,904
Earnings (loss) from discontinued operations before income taxes	2	(29)	30	(205)
Income taxes – future (recovery)	-	9	(71)	29
Earnings (loss) from discontinued operations before the following:	2	(38)	101	(234)
Loss on disposal of net assets from discontinued operations	-	-	(21)	-
Net earnings (loss) from discontinued operations	\$ 2	\$ (38)	\$ 80	\$ (234)

The following table provides additional information with respect to amounts included in the balance sheet as assets and liabilities of discontinued operations:

	September 30, 2007	December 31, 2006
Inventory	\$ -	\$ -
Accounts receivable	-	905
	-	905
Property and equipment	-	924
Liabilities of discontinued operations	\$ -	\$ 130

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10. Discontinued operations (continued):

The following table provides additional information with respect to amounts included in the statement of cash flows related to discontinued operations:

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Net earnings (loss) from discontinued operations	\$ 2	\$ (38)	\$ 80	\$ (234)
Items not affecting cash:				
Depreciation and amortization	-	40	-	112
Loss on disposal of net asset from discontinued operations	-	-	21	-
Future taxes (recovery)	-	9	(71)	29
Funds provided by (used in) discontinued operations	\$ 2	\$ 11	\$ 30	\$ (93)
Components of change in non-cash working capital balance of discontinued operations:				
Accounts receivable	\$ 193	\$ (319)	\$ 905	\$ 751
Accounts payable and accrued liabilities	-	63	(130)	(510)
	\$ 193	\$ (256)	\$ 775	\$ 241

11. Comparative figures:

Certain comparative figures have been reclassified to conform to the current period financial statement presentation.

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
Calgary, Alberta

Website: www.iroccorp.com
E-mail: investorrelations@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

Kevin W. Howell, CA
Chief Financial Officer

Timothy J. Sebastian
Corporate Secretary

