



2008 FIRST QUARTER REPORT (UNAUDITED)

Report Contents

TSX: ISC

MARCH 31, 2008

Partnerships
in HEALTH and SAFETY

Profile	2
President's Message	3 - 4
Management's Discussion & Analysis	5 - 15
Balance Sheet	17
Statement of Earnings	18
Statement of Cash Flows	19
Notes to the Statements	20 - 30
Corporate Directory	31



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 wholly-owned subsidiary companies. We remain committed to the principle that has driven our business from day one: to consistently address the complex and ever changing needs of the oilfield service business by providing innovative, industry leading solutions through innovative thinking, quality equipment and highly trained personnel. The Corporation operates in two main segments as follows:

Drilling and Production Services which includes:

- Well servicing rigs and equipment
- Oilfield rental equipment and services
- Drilling rigs and equipment
- Lease building and road construction

Technology Services which includes:

- Manufacture of downhole pressure and temperature measurement tools
- Safety and air monitoring services
- Remote communication products and services



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

Dear Shareholders,

While our industry is still feeling the lingering effects of low commodity pricing and changes to royalty and taxation structures implemented by our federal and provincial governments, we did see a number of positive developments during the first quarter that has resulted in a guarded, but renewed optimism about our industry for the foreseeable future. Substantially higher pricing for natural gas, record prices for oil and a stabilizing Canadian Dollar have all combined to set the stage, we believe, for increased spending and greater activity at the field level in the E&P industry. This change in the mood in the E&P industry has created a general anticipation inside the service industry of better things to come and we are anticipating, for the first time since the slow down began in Q2 2006, an increase in E&P activity. In fact, we are already seeing increases to current budgets as E&P companies look to deploy their increased cash flows.

Given the late start to the year and the extreme cold weather which shut down activity in late January, IROC Energy Services was still able to post solid numbers overall for the quarter. Strong performance in our Canada Tech division, improved performance in our Aero Rental division and out performance, as compared to industry averages, of our Eagle Well Servicing division all were contributing factors in our group posting revenues of \$25.6 million and EBITDAS of \$7.5 million for Q1 2008. Together with the improving fundamentals in the natural gas industry and final direction from the Alberta government on the new royalty framework, we believe the resulting increased E&P activity will allow us to move our results forward in the second half of the year. Increased projections from all the industry associations for drilling activity will undoubtedly benefit each of our businesses with certain segments benefiting more than others.

One other interesting development that has begun to unfold is the discovery and initial stage evaluation of very significant resource plays at Montney and Horn River in NE British Columbia and the rapidly developing Bakken play in SE Saskatchewan. As these projects are developed they will require significant amounts of equipment and personnel to bring them to production, thus providing opportunities for all divisions of our business. Management has taken steps to identify the opportunities arising from these new developments and has developed an action plan that it believes will allow our Company to capitalize on these opportunities in the near future.

The Eagle Well Servicing division continues to be the flagship division in our Company, having grown to 30 rigs at the end of fiscal 2007. Operating from bases in Red Deer, Grande Prairie, Lloydminster and Brooks, our service rig operation continues to provide a solid base that we will continue to build upon for years to come. Free standing equipment, lightweight designs and the latest communication technology on each of the rigs provide cost effective solutions to our customers. While utilization for Q1 2008 was 63%, as compared to 52% in Q4 2007 and 79% in Q1 2007, early indications are that activity will compare favourably to 2007 as we make our way through the remainder of 2008. We have allocated existing equipment to a new base in Estevan, Saskatchewan which will be opening in May 2008, based on our intentions of resuming our organic rig build program later in the year to meet apparent demand for our rig equipment in all areas of our operation.

Canada Tech continues along its growth path with \$4.3 million in sales during the quarter, up from \$3.6 million in the fourth quarter of fiscal 2007. Increased penetration into international markets and high performance from our product lines has partially offset the effect on this business of a high Canadian Dollar and reduced activity in Canada. Management continues to streamline production efforts and introduce new products in response to the needs and demands of our customers around the world.

Mission Drilling performed well over the winter months achieving utilization of 53%, for the first quarter of 2008, similar to the 53% in same period of 2007. Without the benefit of any longer term contracts management is very satisfied with the progress that has been made in attracting and retaining competent field staff while building up credibility with a number of E&P companies in Western Canada. Operating 3 rigs over for the last 3 quarters, we intend to reactivate our 4th rig in anticipation of increased activity during the second half of the year. The fundamental strategy of acquiring new equipment in each of our business segments continues to provide operational efficiencies that have cushioned the effects of the lower field activity and will certainly set Mission in good stead over the longer term.

Aero Rentals continues to make progress but still has a long way to go to meet the expectations of management. Revenues were \$1.7 million in Q1 2008 versus \$1.8 million in the corresponding quarter of 2007. Simply put, this division needs to be bigger. We have developed an infrastructure that has the capability to do much larger volumes which has been hampered by the current industry conditions and our equipment inventory levels. However, the good news is that revenues continue to rise on a trailing 12 month basis, cost control measures are in place and the business is effectively operating at a break even level. This segment of our business is a key component of our longer term growth strategy and will be allocated additional capital to drive the growth plan forward as capital becomes available. The products and services offered by Aero are directly linked to drilling activity and will be one of the first of our businesses to benefit from the impending turn in prospects for the service industry in Western Canada.

Oricom continues to operate profitably though revenues fell noticeably year over year. Management has reduced headcount in this division on a continuous basis over the past 12 months and the reduced results are partially reflective of this strategy. That said, the division operates profitably and has defined its niche in the safety and communication business with its technically advanced communications and flare management systems. The ability to scale up the operation remains intact and we will respond to the opportunities as they arise.

Envirocore, operating only in NE British Columbia continues to operate efficiently but had to deal with difficult weather conditions through much of the first quarter. Severe cold during portions of the winter were followed by an early end to the drilling season with warmer weather arriving in the first part of March. Revenues decreased to \$1.3 million from \$1.8 million in the prior year quarter. Expectations remain high for the remainder of the year with good visibility for the full year ahead.

Our Q1 2008 revenues effectively matched our performance from the previous year. Less than expected activity due to a late start and severe cold weather for 10 days at the end of January unfortunately reduced the opportunity for our Company to show its full capability, even during difficult industry conditions. However, the highlights for the quarter included continued strong margins for IROC as a whole, a stronger balance sheet as cash flow was dedicated to debt reduction over the past four months, strong relative utilization for our service rigs, continued revenue growth at Canada Tech and the strengthening price of natural gas. We see light at the end of the tunnel for the rest of the year.

While we continue to face obstacles as we grow our Company, management believes that the landscape is changing for the better. At the appropriate time we will resume our internal growth initiatives that have served us well up until now and continue to monitor the industry for acquisition opportunities that might present themselves. There is an air of anticipation and excitement inside our company right now, a good sign for the coming months.

Respectfully submitted,



Thomas M. Alford
IROC Energy Services Corp.
President and CEO



MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

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

For the 3 months ended March 31,

	<i>(Unaudited)</i>		
	2008	2007	% Change
Revenue - continuing operations	\$25,611	\$25,961	-1%
Operating costs	15,770	14,671	7%
Gross margin	9,841	11,290	-13%
Gross margin %	38%	43%	-12%
General and administrative expenses	2,374	2,934	-19%
EBITDAS - continuing operations ⁽¹⁾	7,467	8,356	-11%
Per share diluted	0.17	0.20	-15%
Net earnings - continuing operations	2,710	3,178	-15%
Per share diluted	0.06	0.08	-25%
Net earnings	2,710	3,256	-17%
Per share diluted	0.06	0.08	-25%
Number of shares outstanding			
Basic	44,251,080	40,979,302	8%
Diluted	44,277,345	41,100,275	8%

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

The Management's Discussion and Analysis (MD&A) focuses on key statistics from the consolidated financial statements of IROC Energy Services Corp. ("IROC" or the "Corporation") for the three months ended March 31, 2008 as compared to the three months ended March 31, 2007, 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, 2008 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

The first quarter of 2008 began with the expectation of continued reduced activity for the oilfield services industry as a result of uncertainty continuing to hang over our industry. The uncertainty of natural gas pricing, government intervention at the federal and provincial levels, plus the soaring Canadian dollar, all contributed to reduced natural gas economics, coupled with increased merger activity between our customers lead to reduced projections for activity in 2008. The result of these factors has had a dramatic effect on oil and gas producers in Canada leading to many of our customers reducing their planned activity levels in natural gas exploration and development for fiscal 2008 and shifting plans toward oil related activities as the fundamentals for this commodity have remained constant. Natural gas has historically represented the bulk of activities in Western Canada and as such expectations were for lower year over year operating results from oil and gas service companies. On the other hand underlying fundamentals improved by the end of the quarter. The Canadian dollar has shown stability at close to parity with the U.S. dollar, natural gas prices have strengthened significantly and the Alberta government has announced plans to deal with certain unintended consequences from the royalty review all leading to renewed optimism throughout our business. Despite the less than desirable industry conditions IROC was able to generate good results in terms of both revenues and cash flows for the three months ended March 31, 2008.

IROC's revenue from continuing operations for the first quarter ended March 31, 2008 decreased 1%, from \$26.0 million to \$25.6 million compared to the same period in 2007. Revenue essentially remained flat year over year for the three month period. Although IROC had additional equipment capacity year over year from the organic build program completed in fiscal 2007 additional revenue growth was hampered as a result of lower than expected utilization in most of its service lines. While demand for our service rigs remains strong utilization was lower year over year while pricing increased slightly over the prior year.

EBITDAS from continuing operations for the three months ended March 31, 2008 was \$7.5 million or \$0.17 per share, compared to \$8.4 million, or \$0.20 per share, in the same period of 2007. EBITDAS for the quarter decreased \$0.9 million or 11% year over year mainly as a result of lower pricing in drilling rigs. Additionally, operating costs were higher as recruitment of personnel remains a challenge, fuel costs continue to rise and general costs associated with field activities have not moved directionally with the lower demand. EBITDAS as a percentage of revenue was 29.2% and 32.2% for the three months ended March 31, 2008 and 2007, respectively.

The Corporation recorded net earnings from continuing operations of \$2.7 million, or earnings of \$0.06 per share, for the three months ended March 31, 2008 compared to net earnings of \$3.2 million, or earnings of \$0.08 per share, for the comparable period for 2007. The decrease in the net earnings for the three months ended March 31, 2008 compared to 2007 is due to higher depreciation and amortization expense in the current year as a result of significant additions to equipment in the past year, higher interest costs for debt servicing due to higher debt incurred to support the growth over the past two years and lower margins in most of its services and products as a result of lower utilization and lower prices in some cases.

We are confident that our financial performance will continue to improve as the efficiencies associated with more equipment reaching the field are realized. Our capital expenditure program for 2007, which focused primarily on the expansion of Eagle Well Servicing and Aero Rentals based upon the continued demand for the products and services offered by these divisions, should lead to further benefits in the coming months. IROC continues to perform well financially and management is keenly aware of the environment that we are currently operating in and we continue to monitor the market as it affects IROC, its competitors and its customers.

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 March 31, 2008 of \$19.7 million or 77% of total consolidated revenue for the quarter as compared to the corresponding period in 2007 of \$19.8 million or 76% of total revenue. Although equipment utilization during the first quarter of 2008 was lower than the comparable period of 2007 as a result of reduced demand in activity

in the industry as whole we were able to exceed industry averages for utilization in the well servicing portion of this segment. For the three months ended March 31, 2008, the Drilling and Production Services segment generated positive EBITDAS of \$7.4 million compared to \$7.8 million in the same period of 2007 a decrease of 6%. The decrease year over year was primarily from lower gross margins in our contract drilling services brought about by lower day rates in 2008, while the variable cost structure remained essentially unchanged. Lower utilization in service rigs year over year also lead to the lower EBITDAS, offset in part by strength in pricing in this division.

Eagle Well Servicing (“Eagle”), which comprises a significant portion of the Drilling and Production Services segment, finished the first quarter of 2008 with a fleet of 30 service rigs, an increase of 6 service rigs from the end of the first quarter of fiscal 2007. All 30 rigs were actively working during the first quarter of 2008. Eagle experienced solid equipment utilization of 63% through the first quarter of fiscal 2008 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. Revenue generated from Eagle during the first quarter of 2008 was \$13.5 million compared to \$12.9 million in the same period of 2007, an increase of 5%. EBITDAS from Eagle was \$4.8 million compared to \$4.9 million for the comparable period of 2007, representing a decrease of 3%. Revenue increased as a result of the additional equipment capacity and higher year over year pricing offset by lower year over year utilization. EBITDAS remained essentially unchanged year over year as the lower utilization offset the strong pricing and margins were reduced as the divisions’ efficiency was affected by this given its cost structure. Eagle continues to be one of our best performing businesses in terms of revenue, profitability and return on capital employed and we expect this trend to continue in fiscal 2008. While utilization was lower than anticipated during the quarter we are optimistic about the remainder of fiscal 2008 and early indications of performance in the second quarter, customer demand for our premium equipment and services, and improved industry fundamental for producers are suggesting potential improved results for the remainder of 2008.

Drilling rig industry activity during 2007 saw suppressed levels of drilling activity on a year over year basis which persisted into the first quarter of 2008. Mission Drilling (“Mission”), like many other drilling contractors, has experienced a reduced activity level brought about by depressed natural gas fundamentals and general uncertainty in the industry from changing royalty structures in Alberta which negatively affected many oil and gas producers drilling programs. Mission’s utilization for the first quarter of fiscal 2008 was approximately 53% which was unchanged from the prior year and slightly below the industry average. Drilling rig day rates continue to be pressured given the reduced utilization in the industry and increased equipment capacity. Revenue for the first quarter was \$3.2 million compared to \$3.5 million in the comparable period of the prior year. EBITDAS was \$0.8 million for the three months ended March 31, 2008 compared to \$1.5 million in the same period of 2007. The decrease in EBITDAS is primarily a result of lower day rates and increases in variable operating expenditures such as fuel costs and repairs and maintenance. Lower drilling rig day rates has reduced sustainable profitability 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 permanently migrated away from the industry. The second half of fiscal 2008 appears to have improved opportunity for contract drilling services given the improved fundamentals in natural gas markets and greater certainty in royalty structures.

Aero Rental Services (“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 quarter of fiscal 2008 Aero contributed revenue of \$1.7 million compared to \$1.8 million in the prior year period. EBITDAS was \$0.5 million for the quarter compared to \$0.3 million in the same quarter of 2007. 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. Management is currently evaluating its capital needs for this division for the remainder of the year. Management expects that the organic growth model employed by Aero should 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 industry activity during 2007 and persisting into 2008 with equipment utilization at lower levels than expected. 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.

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 the 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 as negatively impacted by the reduced drilling activity in the Western Canadian Sedimentary Basin. For the three months ended March 31, 2008, this division generated revenue of \$1.3 million compared to \$1.8 million for the same period in 2007. Envirocore contributed positively to the EBITDAS for the segment, generating approximately \$0.3 million for the three months ended March 31, 2008. This division continued to generate above average return on capital employed in the quarter.

TECHNOLOGY SERVICES

The Technology Services segment generated revenue of \$5.9 million, or 23% of the Corporation's total consolidated revenue, for the three months ended March 31, 2008, compared to \$6.1 million or 24% of total consolidated revenue for the comparable period of fiscal 2007. The modest decrease of \$0.2 million, or 4% decrease, in revenue over the same three month period of 2007 was affected by lower activity levels in our Oricomm division offset in part primarily by the results of the Canada Tech division ("Canada Tech") which increased revenue by 18.1% year over year. For the three months ended March 31, 2008, the Technology Services segment generated positive EBITDAS of \$1.1 million compared to \$1.3 million in the same period of 2007, a decrease of 15%. The decrease in EBITDAS was contributed to by i) reduced margins in Canada Tech due to the strengthening of the Canadian dollar (revenues in Canada Tech are predominately based in US currency on its international sales) and ii) lower than normal industry activity levels.

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. In the first quarter of fiscal 2008 Canada Tech contributed revenue of approximately \$4.3 million or 73% of the total Technology Services segment revenue, compared to \$3.6 million or 59% of the segment revenue in the same period of 2007. While domestic sales of Canada Tech have slowed in response to the general reduction in activity in Western Canada, this was offset from the growth of the division's international markets which have not had the same slowdown as currently being experienced in Western Canada. For the three months ended March 31, 2008, EBITDAS for Canada Tech was \$0.7 million compared to \$0.4 million in the same period of 2007, an increase of 51%. Revenue and EBITDAS have improved year over year 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. Profitability was partially affected from the rise in the Canadian dollar against most other major currencies which has put pressure on gross margins. We are currently evaluating our pricing to ensure we are competitive and able to achieve appropriate margins and in some cases have already moved pricing forward to attempt to mitigate the effects of the strong Canadian dollar on gross margins.

During the first quarter of 2008 we merged Oricomm and IROC Safety divisions into one operating division, Oricomm, our communications, monitoring and safety division. This was done to address some of the redundant costs in the two divisions and better position the division in terms of operations deployment and sales and marketing efforts. Oricomm generated revenue of \$1.6 million approximately 27% of the total revenue for the Technology Services segment for the three months ended March 31, 2008 resulting in a positive EBITDAS of \$0.2 million for the quarter. The continued focus on marketing efforts in these services to develop new revenue sources from additional customers and increase revenues from existing customers is beginning to pay off. Additionally, our expertise in this area has allowed for the advancement of communication related projects in our other operating segments. 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 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. As fundamentals for natural gas pricing have improved we expect results will improve through 2008 in this division.

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. Included in Corporate Services is interest expense for debt servicing and income tax expense. The impact on EBITDAS from the Corporate Services for the three months ended March 31, 2008 was a negative \$1.1 million compared to negative \$0.7 million for the comparable period of 2007.

RESULTS OF OPERATIONS

Revenue

For the three months ended March 31, 2008, IROC recorded quarterly revenue from continuing operations of \$25.6 million compared to \$26.0 million in the same period of 2007, a decrease of \$0.4 million or 1%. Despite 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, revenue from continuing operations only modestly decreased 1% in the quarter compared to the prior year quarter. The modest decrease in revenue year over year varies from division to division. Overall utilization was lower in most of our service divisions for the quarter compared to the prior year. Pricing in our well servicing division remained strong and was higher on a year over year basis offsetting some of the impact of the lower utilization. Canada Tech's revenue improved year over year which was derived predominantly from international sales growth as we penetrate further into both existing and new markets with our products.

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:

	<u>For the 3 months ended March 31,</u>	
	<i>(Unaudited)</i>	
	2008	2007
<u>REVENUE SOURCE</u>		
Drilling and Production Services	77%	76%
Technology Services	23%	24%
<u>TOTAL</u>	100%	100%

We expect the allocation of revenues for fiscal 2008 will be approximately 70% from Drilling and Production Services and 30% from Technology Services.

Operating Costs and Gross Margin

For the three months ended March 31, 2008 operating costs of continuing operations were \$15.8 million (62% of revenue) as compared to \$14.7 million (57% of revenue) in the comparable period of 2007. Gross margin decreased in the first quarter of 2008 moving to 38% versus 43% for the corresponding period in 2007. IROC experienced lower gross margins in most of its operating divisions in the current quarter as compared to the prior year. The largest decrease year over year came from the contract drilling rig division from lower drilling day rates year over year and with no corresponding significant changes in variable operating costs due to continued high wage costs. While a large portion of our costs are variable in nature the lower utilization in most divisions' year over year affected efficiencies in our operations in both fixed and variable operating cost leverage. With the 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 escalated. Gross margin during the first quarter is historically higher than the average for the year as winter pricing is generally higher. We estimate margins for fiscal 2008 in the range of 34% to 36% overall. 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 March 31, 2008 were \$2.4 million (9.3% of revenue) compared to \$2.9 million (11.3% of revenue) in the comparable period of 2007. The year over year decrease of \$0.5 million is primarily attributable to reduced head count in various mid-level management positions leading to lower salaries expense and related personnel expenses. The slow down in the oilfield services industry in 2007 lead to lower headcount both through attrition and reductions in staffing levels. Management evaluated certain positions and in some cases determined not to replace and work with a more lean structure. In addition to lower costs coming from reduced headcount there were various one time project related costs incurred in 2007 that were either suspended during 2008 or did not require further costs in 2008 coupled with lower professional fees compared to the prior year period. Our infrastructure is capable of handling

additional capacity without incurring additional costs. Costs for supporting the growth of the Corporation continue to be reviewed in all areas for reductions where appropriate.

Stock-based Compensation Expense

Stock-based compensation expense totaled \$0.1 million for the three months ended March 31, 2008 compared to \$0.2 million in the comparable period of 2007. The Corporation utilizes a stock option plan as part of its incentive compensation arrangements for key employees. 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 dependant upon certain conditions existing at the time of granting of the related stock options. The lower stock-based compensation expense is from a reduction in the underlying stock price used in calculating the expense.

Depreciation and Amortization

For the three months ended March 31, 2008 depreciation expense and amortization of intangible assets from continuing operations totalled \$2.7 million, an overall increase of 10% compared to \$2.4 million of depreciation and amortization in the corresponding period of 2007. The increase is a direct result of the Corporation's increases in the depreciable asset base from internal capital build programs. For the three months ended March 31, 2008 and 2007, depreciation and amortization of continuing operations as a percentage of revenue was 10.4% and 9.3%. The value of fixed assets subject to depreciation and amortization increased 9% year over year, which was primarily from the addition of new service rigs and rental equipment.

Interest Expense

Interest expense increased by \$0.4 million for the three months ended March 31, 2008 compared to the same period in 2007. The increase is due to the higher debt levels arising from the Corporation's investment in internal capital expenditures during fiscal 2007 to support its growth.

Loss/Gain on disposal of Property and Equipment

For the three months ended March 31, 2008, the gain on disposal of property and equipment was \$0.1 million compared to a very small loss in the prior year. The current year gain relates to the sale or disposal of minor non-core service equipment during the quarter.

Income taxes

The total income tax expense for the three months ended March 31, 2008 totalled \$0.8 million as compared to \$1.6 million in the corresponding period of 2007. At the expected combined income tax rate of 29.5%, net earnings before income taxes from continuing operations for the three months ended March 31, 2008 of \$3.5 million would have resulted in an income tax provision of approximately \$1.0 million compared to the actual provision booked of \$0.8 million. There was a reduction of approximately \$0.2 million for announced reductions in the federal corporate tax rates, a reduction for differences between the prior year income tax provision and the actual tax returns filed for fiscal 2006 totalling \$0.1 million offset by \$0.1 million for non-deductible items for income tax purposes. The Corporation had no current income tax expense in the current quarter as a result of restructuring its operations which now includes Canada Tech in the partnership structure which has allowed for a reduction of current income taxes as this entity made up the entire current tax expense in the prior year.

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, 2008:

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

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2008	2007	2007	2007	2007	2006	2006	2006
Revenue-continuing operations	25,611	20,641	18,899	11,815	25,961	17,174	16,359	11,203
Net earnings (loss) from continuing operations	2,710	194	369	(1,682)	3,178	672	972	(539)
Per share – basic	0.06	0.00	0.01	(0.04)	0.08	0.02	0.03	(0.02)
Per share - diluted	0.06	0.00	0.01	(0.04)	0.08	0.02	0.03	(0.02)
Net earnings (loss)	2,710	194	370	(1,681)	3,256	(111)	934	(781)
Per share – basic	0.06	0.00	0.01	(0.04)	0.08	(0.01)	0.03	(0.02)
Per share - diluted	0.06	0.00	0.01	(0.04)	0.08	(0.01)	0.03	(0.02)

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 March 31, 2008 the Corporation had positive working capital of \$13.1 million as compared to the positive working capital at March 31, 2007 of \$6.9 million. The primary reason for the increase in the working capital is a result of a decrease in the outstanding balance of our operating line of credit from \$10.6 million at the end of March 31, 2007 to \$0.5 million at the end of March 31, 2008 whereby a portion of this balance was moved to long-term debt during 2007 as it related to the purchase of fixed assets during the first quarter of 2007. IROC has used its available cash flow generated from operations to continue to reduce its outstanding debt levels through the first quarter of fiscal 2008.

On December 19, 2007, the Corporation entered into a new \$75.5 million credit facility with a syndicate of lenders including National Bank of Canada, Canadian Western Bank, and Alberta Treasury Branches. The credit facility consists of an extendible revolving operating credit facility of \$12.5 million and an extendible revolving term facility of up to \$63 million available to finance equipment purchases for organic growth and potential acquisitions. The credit facilities replaced IROC's previous \$50 million credit facilities with the Canadian Western Bank. The credit facilities currently bear interest at the bank's prime rate plus 1.25% with the interest rate varying depending on specific levels of the Corporation's financial ratios. The facilities are renewable annually, subject to mutual consent of the syndicate of lenders, and the Corporation maintaining compliance with certain financial covenants. The extendible revolving operating credit facility and the extendible revolving term facility require interest payments only during the term of the facility. To the extent that the revolving term facility is not renewed, debt repayments on the facility would be amortized and repaid over a three-year period. On March 24, 2008, the credit facility was amended and renewed extending the facility to May 30, 2009. This has allowed the Corporation more flexibility with its cash flow and to continue to execute its future plans. All covenants of the credit facility at March 31, 2008 have been satisfied. The Corporation does not anticipate any covenant issues restricting its future operating, investing or financing activities for at least the next twelve months.

Future cash requirements will be met through, but not limited to, funds from operations, additional bank financing, issue of equity as available, and potential sale of assets. 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 incur 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	\$ 63,240	\$ 6,840	\$ 53,267	\$ 3,133	\$ -
Obligations under capital lease	\$ 117	\$ 71	\$ 46	\$ -	\$ -
Operating leases(1)	\$ 4,671	\$ 1,365	\$ 2,236	\$ 685	\$ 385
Total contractual obligations	\$ 68,028	\$ 8,276	\$ 55,549	\$ 3,818	\$ 385

(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 March 31, 2008 were \$0.7 million, which is predominantly related to maintenance capital expenditures and infrastructure support. These capital expenditures were financed using cash generated from operations.

Industry conditions during the second half of fiscal 2007 lead management to suspend future capital growth for fiscal 2008 plans until industry indicators improved to support additional growth. As such minimal capital had been planned for fiscal 2008 targeted primarily for maintenance capital expenditures. In light of improved fundamentals in the industry as a whole and significant demand from our customers' management is currently evaluating capital spending for the second half of fiscal 2008 and will update as plans are finalized and approved. Our strategy to organically grow our capital asset base has resulted in IROC having capital assets, as a whole, in new or like new condition. Our new drilling rigs and service rigs represent the largest percentage of the Corporation's overall fixed assets.

OUTSTANDING SHARE DATA

Balance at January 1, 2008	44,251,080
Issued on exercise of stock options	50,000
Balance at May 5, 2008	44,301,080

OFF BALANCE SHEET ARRANGEMENTS

IROC has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

There were no significant or material transactions with related parties during the three months ended March 31, 2008.

CHANGES IN ACCOUNTING POLICIES

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

ACCOUNTING PRONOUNCEMENTS

Financial Instruments and Financial Risk Management

On January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3862 “Financial Instruments - Disclosures”, Section 3863 “Financial Instruments - Presentation” and Section 1535 “Capital Disclosures”. Section 3862 “Financial Instruments - Disclosures” and Section 3863 “Financial Instruments - Presentation” replace Section 3861 “Financial Instruments - Disclosures and Presentation”, revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements. Section 1535 “Capital Disclosures” requires the Corporation to provide disclosures about the Corporation’s capital and how it is managed. The adoption of these new accounting standards did not impact the amounts reported in the Corporation’s financial statements; however, it did result in expanded note disclosure in the financial statements.

Inventories

On January 1, 2008, the Corporation adopted the CICA Handbook Section 3031 “Inventories”. Section 3031 “Inventories” provides guidance on the method of determining the cost of the Corporation’s materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that the net realizable value has increased. The adoption of Section 3031 “Inventories” did not impact the Corporation’s financial statements.

Goodwill and intangible assets

Effective January 1, 2009, the Corporation is required to adopt new Canadian accounting standards related to goodwill and intangible assets (Section 3064). This standard replaces Section 3062 “Goodwill and other intangible assets” and Section 3450 “Research and development costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Corporation is evaluating the impact of this new Section on its consolidated financial statements.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (IFRS) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada’s current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Corporation is currently evaluating the impact of adopting IFRS.

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>	For the 3 months ended March 31,	
	<i>("Unaudited")</i>	
	2008	2007
Net earnings (loss) - continuing operations	\$2,710	\$3,178
Add:		
Depreciation and amortization	2,652	2,414
Other interest	135	252
Interest on long-term debt	974	506
Interest and accretion on debentures	236	236
Stock based compensation expense	93	186
Foreign exchange loss (gain)	(63)	8
Loss (gain) on disposal of equipment	(57)	9
	6,680	6,789
Income taxes:		
Current (recovery)	0	85
Future (recovery)	787	1,482
EBITDAS - continuing operations	7,467	8,356

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 28, 2008 which is available under the Corporation's profile at www.sedar.com.

INTERNAL CONTROLS 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 March 31, 2008.

OUTLOOK

The outlook for fiscal 2008 appears to have improved with substantially higher natural gas prices, a more stable Canadian dollar and the Alberta government announcement of plans to address unintended consequences of the proposed royalty structure by offering certain deep drilling incentives. All combined these factors should positively impact producers cash flows and provide a step towards increased spending and greater activity at the field level in the industry. The increased spending by producers will take time to develop as they look for sustained periods of higher natural gas prices and adjust their budgets for 2008 and into 2009.

IROC's growth strategy is focused on organic growth through new service rig construction and increased capacity in its other services that generate a reasonable return on the capital employed. While we have suspended our capital build plans in the first half of fiscal 2008 management is currently evaluating its needs and more importantly the demand from customers for its equipment. Customers have clearly indicated its desire for technically advanced, highly mobile, well designed rigs with availability to high-performing crews and personnel. We are able to offer our customers the newest equipment in each of our services offered and

have strength in terms of personnel and technology providing a competitive advantage for our customers. We have the benefit of being diversified geographically and across product lines. We believe these factors will provide for superior relative performance in the competitive oil and gas service business.

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 months ended March 31, 2008 and 2007

IROC ENERGY SERVICES CORP.

Consolidated Balance Sheets

Expressed in thousands of dollars
(Unaudited)

	March 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	22,448	18,383
Inventory	4,814	5,442
Prepaid expenses and deposits	477	359
	<u>27,740</u>	<u>24,185</u>
Property and equipment (note 3)	97,637	99,471
Intangible assets (note 4)	5,408	5,376
Goodwill	8,621	8,621
	<u>\$ 139,406</u>	<u>\$ 137,653</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loan	\$ 492	\$ 3,421
Accounts payable and accrued liabilities	7,016	6,010
Income taxes payable	190	190
Current portion of long-term debt (note 5)	6,911	6,831
	<u>14,609</u>	<u>16,452</u>
Long-term debt (note 5)	56,446	56,457
Future income taxes	4,268	3,481
Shareholders' equity:		
Share capital (note 6)	51,564	51,547
Warrants	828	828
Contributed surplus (note 6)	2,502	2,409
Retained earnings	9,189	6,479
	<u>64,083</u>	<u>61,263</u>
	<u>\$ 139,406</u>	<u>\$ 137,653</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 March 31,	
	2008	2007
Revenue	\$ 25,611	\$ 25,961
Expenses:		
Operating	15,770	14,671
General and administrative	2,374	2,934
Stock-based compensation	93	186
Depreciation and amortization	2,652	2,414
Interest and accretion on debentures	236	236
Interest on long-term debt and notes payable	974	506
Other interest	135	252
Loss (gain) on disposal of equipment	(57)	9
Foreign exchange loss (gain)	(63)	8
	22,114	21,216
Earnings before income taxes from continuing operations	3,497	4,745
Income taxes:		
Current	—	85
Future	787	1,482
	787	1,567
Net earnings from continuing operations	2,710	3,178
Net earnings from discontinued operations (note 9)	—	78
Net earnings	2,710	3,256
Retained earnings, beginning of period	6,479	4,340
Retained earnings, end of period	\$ 9,189	\$ 7,596
Earnings per share from continuing operations:		
Basic	\$ 0.06	\$ 0.08
Diluted	\$ 0.06	\$ 0.08
Earnings per share from discontinued operations:		
Basic	\$ 0.00	\$ 0.00
Diluted	\$ 0.00	\$ 0.00
Earnings per share		
Basic	\$ 0.06	\$ 0.08
Diluted	\$ 0.06	\$ 0.08
Weighted average number of shares outstanding:		
Basic	44,251,080	40,979,302
Diluted	44,277,345	41,100,275

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	
	March 31,	
	2008	2007
Cash provided by (used in):		
Operations:		
Net earnings from continuing operations	\$ 2,710	\$ 3,178
Items not affecting cash:		
Depreciation and amortization	2,652	2,414
Future income taxes	787	1,482
Stock-based compensation	93	186
Non-cash accretion on debentures	96	96
Loss (gain) on disposal of equipment	(57)	9
	<u>6,281</u>	<u>7,365</u>
Changes in non-cash working capital balances (note 7)	(2,549)	(5,272)
	<u>3,732</u>	<u>2,093</u>
Discontinued operations (note 9):		
Funds provided by discontinued operations	–	28
Changes in non-cash working capital balances of discontinued operations	–	265
	<u>3,732</u>	<u>2,386</u>
Investing:		
Purchase of property and equipment - continuing operations	(683)	(5,575)
Proceeds on disposal of property and equipment from continuing operations	231	106
Proceeds on disposal of property and equipment from discontinued operations	–	903
Change in non-cash working capital balances (note 7)	–	(1,992)
	<u>(452)</u>	<u>(6,558)</u>
Financing:		
Operating loan (payments) advances	(2,930)	4,496
Loan commitment fees	(340)	(200)
Repayment of long-term debt	(27)	(209)
Issue of common shares	17	–
Issue of long-term debt	–	85
	<u>(3,280)</u>	<u>4,172</u>
Increase in cash	–	–
Cash at beginning of period	1	1
Cash at end of period	<u>\$ 1</u>	<u>\$ 1</u>

See accompanying notes to the interim consolidated financial statements.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

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 under the symbol ISC.

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, 2007 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, 2007 contained in the Corporation's 2007 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 months ended March 31, 2008 and 2007.

a) Changes in accounting policies:

i) Financial Instruments and Capital Disclosures

On January 1, 2008, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Sections 3862 "Financial Instruments - Disclosures", Section 3863 "Financial Instruments - Presentation" and Section 1535 "Capital Disclosures".

Section 3862 "Financial Instruments - Disclosures" and Section 3863 "Financial Instruments - Presentation" replace Section 3861 "Financial Instruments - Disclosures and Presentation", revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements. Section 1535 "Capital Disclosures" requires the Corporation to provide disclosures about the Corporation's capital and how it is managed.

The adoption of these new accounting standards did not impact the amounts reported in the Corporation's financial statements; however, it did result in expanded note disclosure (see Note 10).

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

1. Basis of presentation (continued):

a) Changes in accounting policies (continued):

ii) Inventories

On January 1, 2008, the Corporation adopted the CICA Handbook Section 3031 "Inventories". Section 3031 "Inventories" provides guidance on the method of determining the cost of the Corporation's materials and supplies. The new accounting standard specifies that inventories are to be valued at the lower of cost and net realizable value which is consistent with the Corporation's current accounting policy. The standard requires the reversal of previously recorded write downs to realizable value when there is clear evidence that the net realizable value has increased. The adoption of Section 3031 "Inventories" did not significantly impact the Corporation's financial statements.

b) Future accounting pronouncements

i) Goodwill and intangible assets

Effective January 1, 2009, the Corporation is required to adopt new Canadian accounting standards related to goodwill and intangible assets (Section 3064). This standard replaces Section 3062 "Goodwill and other intangible assets" and Section 3450 "Research and development costs". The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Corporation is evaluating the impact of this new Section on its consolidated financial statements.

ii) International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that the use of International Financial Reporting Standards (IFRS) will be required in 2011 for publicly accountable profit-oriented enterprises. IFRS will replace Canada's current GAAP for those enterprises. These include listed companies and other profit-oriented enterprises that are responsible to large or diverse groups of stakeholders. The official changeover date is for interim and annual financial statements related to fiscal years beginning on or after January 1, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. The Corporation is currently evaluating the impact of adopting IFRS.

c) Comparative figures

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

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

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.

3. Property and equipment:

				March 31, 2008 Net book value	December 31, 2007 Net book value
	Cost	Accumulated depreciation			
Service rig equipment	\$ 56,066	\$ 9,945	\$	46,121	\$ 47,236
Drilling rig equipment	34,622	1,407		33,215	33,600
Rental equipment	8,914	1,312		7,602	7,779
Heavy equipment	7,868	2,501		5,367	5,321
Field equipment	6,904	3,881		3,023	3,203
Other equipment	2,481	1,561		920	916
Trailers	1,782	1,050		732	753
Leasehold improvements	783	247		536	536
Data acquisition centre	365	244		121	127
	\$ 119,785	\$ 22,148	\$	97,637	\$ 99,471

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

4. Intangible assets:

Intangible assets consist of the following:

			March 31, 2008	December 31, 2007
	Cost	Accumulated amortization	Net book value	Net book value
Intangible assets	\$ 6,700	\$ 2,405	\$ 4,295	\$ 4,542
Pre-operating expenditures	771	244	527	565
Loan commitment fees	609	23	586	269
	\$ 8,080	\$ 2,672	\$ 5,408	\$ 5,376

The loan commitment fees are related to the Corporation's revolving credit facility entered into in December of 2007 and are being amortized over the term of the facility.

5. Long-term debt and debentures:

	March 31, 2008	December 31, 2007
Extendible revolving capital equipment acquisition facility of up to \$63,000 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 1.25%. The effective interest rate at March 31, 2008 was 6.50%. The facility expires on May 30, 2009 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.	\$ 56,400	\$ 56,400
Unsecured non-convertible and non-transferable debentures, interest at 8% payable quarterly, principal repayable on September 12, 2008.	6,840	6,744
Obligations under capital leases, repayable in monthly installments totaling \$9 plus interest at rates varying from 3.8% to 12.2%, secured by the specific equipment.	117	144
	63,357	63,288
Less current portion	6,911	6,831
	\$ 56,446	\$ 56,457

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

6. Share capital:

(a) Authorized:

Unlimited number of voting common shares without nominal or par value

(b) Issued:

	Number	Amount
Balance at December 31, 2007	44,251,080	\$ 51,547
Issued on exercise of options	50,000	17
Balance at March 31, 2008	44,301,080	\$ 51,564

(c) Stock options:

Changes in the number of common shares under option during the three month period ended March 31, 2008 are summarized as follows:

	Number of options	Weighted average price
Total options outstanding, December 31, 2007	1,727,083	\$ 2.33
Granted	867,500	0.83
Forfeited	(664,375)	2.25
Exercised	(50,000)	0.35
Outstanding, March 31, 2008	1,880,208	\$ 1.73
Exercisable at March 31, 2008	775,828	\$ 2.38

The average fair value of options issued during the three months ended March 31, 2008 was \$0.61 per option using the Black-Scholes option pricing model.

(d) Contributed surplus:

The Corporation recorded stock-based compensation expense and contributed surplus of \$93 (2007 - \$186) for the three months ended March 31, 2008. Contributed surplus was reduced and share capital was increased by \$nil (2007 - \$nil) for options that were exercised during the three months ended March 31, 2008.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

7. Supplemental cash flow information:

	Three months ended	
	March 31,	
	2008	2007
Interest paid	\$ 1,186	\$ 900
Changes in non-cash working capital components of continuing operations:		
Accounts receivable	\$ (4,065)	\$ (6,354)
Inventory	628	(1,016)
Prepaid expenses	(118)	(3)
Accounts payable and accrued liabilities	1,006	2,017
Income taxes payable	–	84
	(2,549)	(5,272)
Changes in non-cash working capital items in investing activities:		
Deposits on capital assets	–	(788)
Accounts payable on capital assets	–	(1,204)
Changes in non-cash working capital items	\$ –	\$ (1,992)

8. Segmented information:

As at March 31, 2008 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.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

8. Segmented information (continued):

Three months ended March 31, 2008	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 19,743	\$ 5,868	\$ –	\$ 25,611
Depreciation and amortization	2,054	509	89	2,652
Interest on long-term debt	–	–	974	974
Interest and accretion on debentures	–	–	236	236
Other interest	–	–	135	135
Net earnings (loss) – continuing operations	5,304	618	(3,212)	2,710
Intangible assets	730	4,092	586	5,408
Goodwill	1,339	7,282	–	8,621
Property and equipment	91,880	4,949	808	97,637
Capital expenditures	534	66	83	683

Three months ended March 31, 2007	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 19,839	\$ 6,122	\$ –	\$ 25,961
Depreciation and amortization	1,593	658	163	2,414
Interest on long-term debt	–	–	506	506
Interest and accretion on debentures	–	–	236	236
Other interest	–	–	252	252
Net earnings (loss) – continuing operations	6,242	667	(3,731)	3,178
Intangible assets	944	5,019	200	6,163
Goodwill	1,339	6,282	–	7,621
Property and equipment	82,385	5,711	1,118	89,214
Capital expenditures	39,119	360	45	39,524

9. 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.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

9. Discontinued operations (continued):

	Three months ended	
	March 31,	
	2008	2007
Revenue from discontinued operations	\$ —	\$ 272
Earnings from discontinued operations before income taxes	—	28
Income taxes – future (recovery)	—	(71)
Earnings from discontinued operations before the following	—	99
Loss on disposal of net assets from discontinued operations	—	21
Net earnings from discontinued operations	\$ —	\$ 78

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

	Three months ended	
	March 31,	
	2008	2007
Net earnings from discontinued operations	\$ —	\$ 89
Items not affecting cash:		
Loss on disposal of net assets from discontinued operations	—	10
Future income taxes (recovery)	—	(71)
Funds provided by discontinued operations	\$ —	\$ 28
Components of change in non-cash working capital balance of discontinued operations:		
Accounts receivable	\$ —	\$ 395
Accounts payable and accrued liabilities	—	(130)
	\$ —	\$ 265

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

10. Financial instruments and financial risk management

a) Foreign currency risk

Foreign currency risk is the risk of financial loss to the Corporation due to the fluctuation of financial commitments, assets, liabilities, income or cash flows due to changes in foreign exchange rates.

The Corporation is exposed to foreign currency fluctuations in relation to its international operations as most of its foreign sales are denominated in United States dollars. The volume of international sales denominated in United States dollars is estimated at 45% of the Technology Services segment. The foreign currency risk is somewhat mitigated with a natural hedge in that certain input costs to manufacture products sold in the Technology Services segment are procured from suppliers in the United States with transactions denominated in United States dollars. The foreign currency risks are further mitigated through attempts to collect and pay foreign currency denominated balances in a timely fashion and to maintain very little excess cash in United States dollar bank accounts.

b) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's receivables from customers.

Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Corporation views the credit risk on these amounts as normal for the industry.

For the three months ended March 31, 2008, sales generated from the Corporation's three largest customers totaled 20.5% (2007 – 22.4%) of its total sales. The amounts receivable from these customers as at March 31, 2008 was \$3,605 (December 31, 2007 - \$2,498). As at March 31, 2008, the Corporation has made a provision for doubtful accounts receivable in the amount of \$308 representing 1.4% of its total accounts receivable.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

10. Financial instruments and financial risk management (continued):

c) Interest rate risk

Interest rate risk is the risk that future cash flow will fluctuate as a result of change in market interest rates.

The Corporation is exposed to interest rate fluctuations on its most significant debt item recognized in its financial statement which bears a floating market interest rate. For the three months ended March 31, 2008, if the prime interest rate increased/decreased by 1%, with all other variables held constant, net earnings would have been \$141 lower/higher. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Corporation's reputation.

The Corporation has an operating loan which has a maximum available balance of the lesser of 75% of its trade accounts receivable or \$12,500. As at March 31, 2008, the balance on the operating loan was \$492.

e) Capital disclosures:

The Corporation's objectives when managing capital are: i) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders; ii) to manage capital in a manner which balances the interests of equity and debt holders; iii) to manage capital in a manner that will maintain compliance with its financial covenants; iv) to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Corporation manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions. In order to maintain or adjust its capital structure, the Corporation may, but is not limited to, issue new shares, issue new debt, issue new debt replacing existing debt with different characteristics, or purchase shares for cancellation pursuant to normal course issuer bids.

IROC ENERGY SERVICES CORP.

Notes to Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three month period ended March 31, 2008 and 2007

10. Financial instruments and financial risk management (continued):

e) Capital disclosures (continued):

The Corporation monitors capital using a key financial metric of debt-to-capitalization, which is not a recognized measure under generally accepted accounting principles (“GAAP”) and, therefore, is unlikely to be comparable to similar measures of other companies. For the purpose of this calculation, debt includes operating loans, current portion of long-term debt, long-term debt and debentures, and capitalization is calculated as the total debt, as described above, and shareholders’ equity less goodwill and intangible assets. The Corporation’s strategy is to maintain this ratio within the limit of its financial covenants on its credit facilities given its current operating structure. The Corporation may be required to increase this from time to time as a result of expansion activities.

The debt-to-capitalization ratios at March 31, 2008 and December 31, 2007 are as follows:

	March 31, 2008	December 31, 2007
Debt	\$ 63,849	\$ 66,709
Equity (net of intangible assets and goodwill)	50,054	47,266
Capitalization	\$ 113,903	\$ 113,975
Debt-to-capitalization ratio	0.56	0.59

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

National Bank of Canada
Calgary, 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
VP of Corporate Development, General
Counsel and Corporate Secretary