



2009 SECOND QUARTER REPORT

(UNAUDITED)

Report Contents

**TSX VENTURE
EXCHANGE: ISC**

JUNE 30, 2009

Partnerships
in HEALTH and SAFETY

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

Dear Shareholders,

Operating conditions, specifically in Western Canada, continued to deteriorate over the second quarter of 2009. Low commodity pricing and lack of access to capital for the producing companies led to reduced drilling activity having a direct effect on our completion and production oriented businesses in well servicing and rentals. Given that management does not see improvement in the near future our focus has been on maximizing revenues while at the same time reducing costs to reflect the current levels of activity.

Eagle Well Servicing operates rigs in Estevan and Lloydminster, Saskatchewan as well as Grande Prairie and Red Deer, Alberta. Activity is markedly different in the two provinces given the current regulatory and royalty environment creating significantly different cost environment for operators. Additionally, the price of oil has recovered from its first quarter lows, shifting activity to the more oil prone areas in Saskatchewan and away from the gas based activity that is predominant in Southern and Northwest Alberta. This has created problems for the service industry in terms of absorbing fixed costs and determining appropriate crew levels which are vital to the operation but at the same time carry a cost that is also being absorbed while we compete for the fewer jobs available. Given the general financial strength of our competitors in the industry and excess equipment levels across all operating areas, significant pricing pressure developed during the quarter. It is our belief that some of the work that is being awarded currently is being bid at levels that do not recoup full out of pocket costs for service rig operators. While this situation is sure to change over time as other factors come into play, management will operate as if this pricing is longer term in nature. Cost control will be vital in maintaining our profitability during the coming quarters in our service rig business.

The benefits that have always been inherent in our business model remain in play today. Our new equipment can be operated more efficiently from a cost perspective. Additionally, as crews become scarce, given the lack of activity, we should be able to maintain a core of component crews and quickly add in response to any increase in demand for our equipment. The technology and design of our equipment is also an advantage to the oil company in terms of efficiency and cost savings, something that is being understood more as our marketing efforts become more focused on this point. Whereas oil companies have been more concerned with access to equipment over the past few years, in the current environment cost and efficiency has become the single important factor in choosing a service rig contractor. The advantages our company has are obvious and will be integral in our success in this environment.

Canada Tech is performing well given the reduced capital expenditures in Western Canada and to a lesser extent in International markets. The second quarter of 2009 experienced some improvement over the previous quarter with continued improvement in our continuous monitoring product lines. We have worked diligently to introduce new products into the market, including some that have shown real promise for future sales. Our product line has been refined with an emphasis on profitability, enabling Canada Tech to reduce inventory levels and better manage costs. Positive EBITDA was achieved during the quarter and we see continued improvement as we believe Canadian activity levels have reached a bottom and there are signs that International demand for our products is increasing. Volatility in the currency markets has given Canada Tech some cause for concern during the quarter with the rapid rise in the value of the Canadian dollar as compared to its US counterpart. Management is in the process of taking definitive steps to consolidate our facilities with the relocation of our manufacturing, quality control and engineering operations into one facility in Calgary. The cost savings and efficiencies will be partially seen immediately with the full impact coming over the coming quarters as facility and personnel costs are rationalized.

Aero Rentals continues to penetrate available markets even with its limited inventory of assets. The difficult operating environment is a bit of a blessing for Aero as opportunities to get bigger through acquisition or purchase of reasonably priced assets are now developing. Our facilities and operating

personnel have the demonstrated capability to handle more activity. The business model will deliver superior earnings once we are able to deliver greater revenues. A larger inventory of equipment will make this possible and increasing inventory is management's number one priority as it relates to the future of Aero Rentals.

The sale of our drilling, safety and construction businesses has allowed us to reduce administrative costs significantly. Additional administrative cost cutting measures implemented during the quarter will continue the trend that is evident with second quarter numbers.

Despite the doom and gloom evident in the industry, IROC remains in very good shape financially. The opportunities that will come from maintaining a solid balance sheet are becoming more abundant. Consolidation is inevitable as the industry goes through these tough times and it is management's belief that IROC is in a solid position to enhance shareholder value. Increasing pressure on margins combined with deteriorating balance sheets and lack of access to capital has changed the mindset of many companies, leading us to believe that mergers and asset dispositions will increase over the next few months. Our balance sheet is solid, our asset base is the newest in our segment of the service business, and our performance remains favorable in comparison to our competitors. There will be opportunity and IROC's management will act appropriately when the time is right.

Going forward we do not expect further deterioration in activity but see no catalyst that will increase activity in any substantial way in the near term. Management will continue to diligently monitor conditions and work towards providing stability for our employees and customers in the short term until activity increases which will provide relief for all parties associated with the oilfield services industry in Western Canada.

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 share and per share amounts)

	<u>For the 3 months ended June 30,</u>			<u>For the six months ended June 30,</u>		
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	2009	2008	% Change	2009	2008	% Change
Revenue - continuing operations	\$9,302	\$10,154	-8%	\$23,310	\$29,674	-21%
Operating costs	6,567	7,519	-13%	15,793	19,239	-18%
Gross margin	2,735	2,635	4%	7,517	10,435	-28%
Gross margin %	29%	26%	12%	32%	35%	-9%
General and administrative expenses	2,159	2,150	0%	4,360	4,036	8%
EBITDAS - continuing operations ⁽¹⁾	576	485	19%	3,157	6,399	-51%
Per share diluted (1)	0.01	0.01	0%	0.07	0.14	-50%
Net earnings (loss) - continuing operations	(1,260)	(1,894)	33%	(1,176)	256	-559%
Per share diluted	(0.03)	(0.04)	25%	(0.03)	0.01	-560%
Net earnings (loss)	(1,260)	(2,142)	41%	(772)	595	-230%
Per share diluted	(0.03)	(0.05)	40%	(0.02)	0.01	-230%
Number of shares outstanding						
Basic	44,200,651	44,301,080	0%	44,248,284	44,276,080	0%
Diluted	44,200,651	44,321,531	0%	44,248,284	44,304,325	0%

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

This Management's Discussion and Analysis (MD&A) focuses on key statistics from the consolidated financial statements of IROC Energy Services Corp. (unless the context indicates otherwise, a reference in this MD&A to "IROC", the "Corporation", "we", "us", or "our" means IROC Energy Services Corp. and includes direct and indirect subsidiaries of IROC and partnership interests held by IROC and its subsidiaries) for the three and six months ended June 30, 2009 as compared to the three and six months ended June 30, 2008, 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 six months ended June 30, 2009 should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2008 and related notes and material contained in other parts of this report as well as the Corporation's Annual Information Form ("AIF"). Additional information relating to IROC, including IROC's AIF, may be found on SEDAR at www.sedar.com. This MD&A was prepared effective August 7, 2009. All amounts are expressed in Canadian dollars unless otherwise noted.

Cautionary Statement Regarding Forward Looking Information and Statements

Certain statements contained in this MD&A and Annual Report, including statements related to the Corporation's 2009 capital expenditures and growth opportunities, outlook for future oil and gas prices, cyclical industry fundamentals, drilling, completion, workover and abandonment activity levels, the Corporation's ability to fund future obligations and capital expenditures, and statements that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "likely", "estimate", "predict", "potential", "continue", "maintain", "retain", "grow", and similar expressions and statements relating to matters that are not historical facts constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements are based on certain assumptions and analysis made by the Corporation in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. In particular, the Corporation's expectation of uncertain demand and prices for oil and natural gas and the resulting depressed industry activity in 2009, is premised on the Corporation's customers' reductions to their capital budgets, the focus of its customers on deeper drilling opportunities in the current natural gas pricing environment and the potential impact of the recent global financial crisis on their ability to access capital and its impact on economic activity which translates into demand for oil and gas. The anticipated capital additions to and enhancement of the

Corporation's well servicing and rental operations in Canada are premised on access to capital and commodity price influence on cash flows of the Corporation's customers, which directly impact oilfield activity and pricing pressure for IROC services. Whether actual results, performance or achievements will conform to the Corporation's expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from the Corporation's expectations. Such risks and uncertainties include, but are not limited to: fluctuations in the price and demand for oil and natural gas; fluctuations in the level of oil and natural gas exploration and development activities; fluctuations in the demand for well servicing; the effects of weather conditions on operations and facilities; the existence of competitive operating risks inherent in well servicing; general economic, market or business conditions; changes in laws or regulations, including taxation, environmental and currency regulations; the lack of availability of qualified personnel or management; the other risk factors set forth under the heading "Business Risks" in this MD&A and other unforeseen conditions which could impact on the use of services supplied by the Corporation. Consequently, all of the forward-looking information and statements made in this MD&A are qualified by this cautionary statement and there can be no assurance that the actual results or developments anticipated by the Corporation will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the Corporation or its business or operations. Except as may be required by law, the Company assumes no obligation to update publicly any such forward-looking information and statements, whether as a result of new information, future events, or otherwise.

OVERALL PERFORMANCE

The low activity levels experienced during the first quarter of 2009 continued through the second quarter. The global economic conditions and the uncertainty of commodity prices for oil and gas lead to some of the lowest historical activity levels in the oilfield in Canada during the first half of 2009. The result of these factors has had a dramatic effect on oil and gas producers leading to many of our customers reducing their planned activity levels in exploration and development for fiscal 2009 with a focus on balance sheet preservation and matching spending with realistic cash flows. The downturn in activity brought about by these conditions, has led to substantial pricing pressure and lower utilization in all oilfield related services.

IROC was able to substantially strengthen its balance sheet through the timely disposition of certain divisions' assets, thereby providing greater flexibility in a time of uncertainty. Actions were taken to make our balance sheet stronger, appropriate asset rationalizations were made, administrative costs have been cut, our equipment is best in class, opportunity exists for us to continue to grow, and management continues to remain focused on growing shareholder value. We understand that we are in a cyclical business and therefore the need to manage the down side of the cycle is just as important to our longer term viability as it is during periods of greater activity.

Further focus on our core businesses was a key component of our strategy going forward and as such during the fourth quarter of 2008 management solicited interest for the sale of the assets and operations of Oricomm, the Corporation's safety, communication and monitoring division, and Envirocore, the Corporation's lease construction division. During the first quarter of 2009 IROC completed the sale of both Oricomm and Envirocore divisions for a total of \$8.44 million, of which \$6.3 million was received in cash and the balance on assumption of notes receivable totaling \$2.14 million resulting in a recorded gain on sale of approximately \$1.0 million. The cash proceeds of \$6.3 million were used to further reduce IROC's outstanding long-term debt. The benefit of divesting of these divisions allows IROC to focus on its core businesses.

Throughout the remainder of this MD&A amounts are presented on a continuing operations basis to more accurately reflect the way in which IROC intends to operate on a continuing basis.

Highlights for the three and six months ended June 30, 2009 as compared to same period of 2008:

- IROC's revenue from continuing operations for the second quarter ended June 30, 2009 decreased 8%, from \$10.2 million to \$9.3 million compared to the same period in 2008. Revenue for the six months ended June 30, 2009 was \$23.3 million compared to \$29.7 million, representing a decrease of 21%. Although IROC had additional equipment capacity year over year from the service rig build program in the second half of fiscal 2008, additional revenue growth was hampered as a result of lower than expected utilization and competitive pressure on pricing. Activity levels were slightly higher in both Aero Rentals and Canada Tech divisions' year over year for the second quarter; however, the increases were not enough to offset the decline in our service rig segment during the quarter. All divisions on a

year to date basis to the end of June 30, 2009 are lower than the previous year as a result of the significant reduction in demand for services brought about by the low commodity price environment.

- EBITDAS from continuing operations for the second quarter ended June 30, 2009 was \$0.6 million or \$0.01 per share, compared to \$0.5 million, or \$0.01 per share, in the same period of 2008. For the six months ended June 30, 2009 EBITDAS was \$3.2 million or \$0.07 per share compared to \$6.4 million or \$0.14 per share in the same period of 2008, a decrease of 51%. EBITDAS for the second quarter was relatively flat compared to the same period of 2008 even though utilization and pricing were down year over year as result of continued focus on cost management and indefinite deferral on discretionary spending. EBITDAS for the six months decreased year over year mainly as a result of lower activity levels across the industry. Additionally, operating costs were higher as field personnel wages were increased in October 2008 at a time when the industry activity levels were reducing. In the past pricing to customers was increased to partially offset some of these higher costs and with the increased competitive environment and lower demand from customers, pricing increases were not achievable. Generally costs associated with field activities have not moved directionally with the lower demand environment despite best efforts of our people as there is a base line of costs necessary to operate. EBITDAS as a percentage of revenue was 13.5% and 21.6% for the six months ended June 30, 2009 and 2008, respectively.
- The Corporation had a net loss from continuing operations of \$1.3 million, or loss of \$0.03 per share, for the three months ended June 30, 2009 compared to a net loss of \$1.9 million, or loss of \$0.04 per share, for the comparable period for 2008. For the six months ended June 30, 2009 the Corporation had a net loss from continuing operations of \$1.2 million, or a loss of \$0.03 per share, compared to net earnings of \$0.3 million, or \$0.01 per share, for the same period of 2008. The improvement in earnings for the three month period is from lower interest costs as a result of reduced debt levels from the same period of 2008 as well an increase in the income tax recovery in the current quarter. The reduction in earnings for the six month period compared to 2008 is due to lower margins on its services and products as a result of lower utilization and lower prices in some cases and partially offset by lower interest costs for debt servicing due to significant debt reductions.
- We have further strengthened our balance sheet by reducing debt levels with cash proceeds of approximately \$6.3 million from the sale of Oricomm and Envirocore divisions and the discontinuance of these operations during the first quarter. IROC exited the second quarter of 2009 with net debt of \$9.6 million.
- On April 27, 2009 IROC's board of directors declared a semi-annual cash dividend on its common shares of three cents. The dividend was paid on May 21, 2009, to shareholders of record at the close of business on May 7, 2009. Over the past few months IROC has significantly reduced debt obligations through the strategic dispositions of three divisions. While the total proceeds from these dispositions were approximately \$40-million, the dispositions did not significantly reduce the profitability or cash flow. Also, we expect to incur only minimal capital costs in the near term given the newer, high-quality assets in all our businesses. Management and the board believe our balance sheet is strong, ongoing cash flows are adequate and that pursuing a business model that includes paying a dividend in addition to funding accretive expansion over time is a prudent course of action. Accordingly, the board determined that it was appropriate to initiate a dividend for the benefit of our shareholders.
- On May 28, 2009 the Corporation renewed its credit facility with its syndicate of lenders. The renewal extends the revolving feature of the facility to May 29, 2010. Due to a significant increase in renewal and standby fees, management requested a decrease in the facility size from \$75.5-million to \$40-million. The credit facility has an accordion feature that allows the Corporation to increase the credit facility by \$20-million at a future date, subject to certain terms and conditions. The \$40 million credit facility consists of an extendible revolving operating credit facility of \$10 million and an extendible revolving term facility of up to \$30 million available to finance equipment purchases for organic growth and potential acquisitions.

IROC's continuing operations are reported in two segments. The Drilling and Production Services segment includes well servicing and oilfield rental equipment product lines. The Technology Services segment includes the downhole tool manufacturing product line. 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 June 30, 2009 of \$6.2 million or 67% of total consolidated revenue for the quarter as compared to the corresponding period in 2008 of \$7.4 million or 73% of total revenue. For the six months ended June 30, 2009 revenue from Drilling and Production Services segment was \$18 million or 77% of total revenue as compared to the same period of 2008 of \$22.7 million or 76% of total revenue. Equipment utilization during the first half of 2009 was lower than the comparable period of 2008 as a result of reduced demand in activity in the industry as whole. For the three months ended June 30, 2009, the Drilling and Production Services segment generated positive EBITDAS of \$1 million compared to \$1.1 million in the same period of 2008 a decrease of 9%. EBITDAS for the six months ended June 30, 2009 decreased to \$4.7 million compared to \$7.2 million in 2008, a decrease of 35%. The decrease year over year was from lower utilization of equipment, lower gross margins driven by increases in field wages while customer pricing remained relatively flat year over year due to the competitive environment.

Eagle Well Servicing ("Eagle"), which comprises a significant portion of the Drilling and Production Services segment, finished the second quarter of 2009 with a fleet of 36 service rigs. Eagle continued to increase its capacity by completing the build of two previously announced service rigs during the first quarter of 2009. Eagle's utilization during the second quarter of 2009 was approximately 25% compared to 36% utilization in the comparable period of 2008. Revenue per hour also decreased in the second quarter by \$46 per hour or 6.7% from same period in 2008. Revenue generated from Eagle during the second quarter of 2009 was \$5.3 million compared to \$6.9 million in the same period of 2008, a decrease of 23%. For the six months ended June 30, 2009 revenue was \$15.8 million compared to \$20.4 million in the same period of 2008, a decrease of 23%. EBITDAS for the second quarter of 2009 from Eagle was \$1 million compared to \$1.4 million in the same period of 2008, a decrease of 29%. For the six months ended June 30, 2009 EBITDAS decreased to \$4.4 million from \$7 million in the same period of 2008, a decrease of 37%. EBITDAS was hampered by higher variable operating costs primarily from the increase in field wage costs implemented during the fourth quarter of 2008 based on recommended wage increases by the CAODC and lower customer demand that lead to one of the lowest historical utilization levels experienced.

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. Aero's results are affected by the level of drilling activity in the industry. During the second quarter of 2009 Aero contributed revenue of \$0.9 million compared to \$0.6 million in the prior year period, an increase of 50%. Revenue for the six months ended June 30, 2009 was flat at \$2.3 million compared to \$2.3 million in the same period of 2008. Aero operating a breakeven on EBITDAS was for the second quarter of 2009 compared to negative EBITDAS of \$0.3 million in the same period of 2008. EBITDAS for the six months ended June 30, 2009 was flat at \$0.3 million. Aero was significantly affected by the slower industry activity during the first half of 2009 which resulted in equipment utilization and pricing at lower levels than expected. The costs in this division are somewhat fixed in nature and as such has led to lower EBITDAS for the periods of low activity. Depending on activity levels, Aero should generate higher gross margins as activity improves leading to better performance.

TECHNOLOGY SERVICES

The Technology Services segment is solely comprised of our Canada Tech division. 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. This segment generated revenue of \$3.1 million, or 33% of the Corporation's total consolidated revenue, for the three months ended June 30, 2009, compared to \$2.7 million or 27% of total consolidated revenue for the comparable period of fiscal 2008. For the six months ended June 30, 2009 revenue decreased to \$5.3 million from \$7 million in 2008 a decrease of 25%. Product sales decreased year over year as Canada Tech was affected by the slowdown in the oil and gas industry worldwide. In the past year the Canada Tech division has focused significant efforts on developing international market penetration. The international market generally has longer lead times to complete the sales process as it is more complex on all levels, including but not limited to bid processes, logistics of delivery and

collection of receivables. For the three months ended June 30, 2009, Canada Tech had positive EBITDAS of \$0.6 million compared to positive EBITDAS of \$0.2 million in the same period of 2008, an increase of 200%. EBITDAS for the six months ended June 30, 2009 was \$0.4 million compared to \$1 million in the same period of 2008, a decrease of 62%. The primary result of decreased EBITDAS is attributable to the lower than expected product sales volume year over year. The margin on products improved by approximately 10% from the benefit of improved foreign exchange rates on our sales denominated in US dollars offset by lower volume of sales to spread the same level of fixed overhead costs leading to lower profitability in the quarter. Also during the quarter we initiated cost reductions in a number of areas including reduced head count and elimination of discretionary spending in a number of areas to assist in improving profitability for the remainder of the year.

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 six months ended June 30, 2009 was negative \$1.9 million compared to negative \$1.9 million for the comparable period of 2008.

RESULTS OF OPERATIONS

Revenue

For the three months ended June 30, 2009, IROC recorded quarterly revenue from continuing operations of \$9.3 million compared to \$10.2 million in the same period of 2008, a decrease of \$0.9 million or 8%. Revenue decreased to \$23.3 million from \$29.7 million, a drop of 21%, for the six months ended June 30, 2009 compared to the same period in 2008. Although IROC had additional equipment capacity year over year from the service rig build program in fiscal 2008 additional revenue growth was hampered as a result of lower than expected utilization on equipment in Eagle and Aero, competitive pressures on pricing and lower product sales volumes in Canada Tech. Low demand was brought about by the unprecedented drop in commodity prices for oil and gas driving customers to reduce their spending significantly during the first half of 2009. Increased competition has resulted in lower rates for services and products. Commodity prices improved for oil during the second quarter while natural gas prices remained at very low levels. Even with the improved pricing for oil customer demand remains uncertain and will likely continue to have downward pressure on both utilization and pricing for the remainder of 2009.

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 June 30,</u>		<u>For the six months ended June 30,</u>	
	<i>(Unaudited)</i>		<i>(Unaudited)</i>	
	2009	2008	2009	2008
REVENUE SOURCE				
Drilling and Production Services	67%	73%	77%	76%
Technology Services	33%	27%	23%	24%
TOTAL	100%	100%	100%	100%

We expect the allocation of revenues for fiscal 2009 will be approximately 75% from Drilling and Production Services and 25% from Technology Services.

Operating Costs and Gross Margin

For the three months ended June 30, 2009 operating costs of continuing operations were \$6.6 million (71% of revenue) as compared to \$7.5 million (74% of revenue) in the comparable period of 2008. Operating costs for the six months ended June 30, 2009 were \$15.8 million (68% of revenue) compared to \$19.2 million (65% of revenue) for the same period of 2008. Historically, the second quarter gross margins are weaker than average for the year as lower equipment utilization and fixed costs impact the overall margins during seasonally weaker

periods. While a large portion of our costs are variable in nature the lower equipment utilization, weaker customer pricing and lower product sales volumes year over year during the first half of 2009 affected efficiencies in our operations in both fixed and variable operating cost leverage. Variable operating costs have increased year over year, specifically in hourly wage increases made to rigs crews by the industry to start the fourth quarter of 2008. Pricing increases were implemented to start the fourth quarter to attempt to recoup these costs and maintain margins. As a result of significantly lower demand for services, creating a highly competitive environment, pricing pressure has increased affecting margins on a go forward basis as field wages have remained at the higher levels. We continue to focus on operating cost efficiencies in all areas of our business and have reduced head count and discretionary spending where possible to match costs with activity levels.

General and Administrative Expenses

General and administrative expenses (“G&A”) for the three month period ended June 30, 2009 were \$2.2 million (23.2% of revenue) compared to \$2.2 million (21.2% of revenue) in the comparable period of 2008. For the six months ended June 30, 2009 G&A was \$4.4 million compared to \$4.1 million in the same period of 2008. The year over year increase of \$0.3 million is primarily attributable to increased headcount in sales and marketing for both Eagle and Canada Tech divisions compared to the same period of 2008. Management continued to invest in our sales and marketing efforts to try and reduce the impact of the declining market conditions in all of our businesses. Late in the first quarter and during the second quarter reductions in headcount in our administrative and support areas were implemented and this should assist in reducing costs for the remainder of the year. Further, management has curtailed a number of discretionary expenditures for 2009 and continues to review G&A expenses for further reductions to match spending with expected activity levels.

Stock-based Compensation Expense

Stock-based compensation expense totaled \$0.1 million for the three months ended June 30, 2009 compared to \$0.1 million in the comparable period of 2008. For the six months ended June 30, 2009 stock-based compensation expense was \$0.2 million compared to \$0.1 million in the same period of 2008. 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.

Depreciation and Amortization

For the three months ended June 30, 2009 depreciation expense and amortization of intangible assets from continuing operations totalled \$2.0 million, consistent with the corresponding period of 2008. Depreciation and amortization expense was \$4.0 million for the first six months of 2009 and is consistent with the same period of 2008. For the six months ended June 30, 2009 and 2008, depreciation and amortization of continuing operations as a percentage of revenue was 17.1% and 13%, respectively.

Interest Expense

Interest expense decreased by \$0.8 million for the three months ended June 30, 2009 compared to the same period in 2008. For the six months ended June 30, 2009 interest expense decreased by \$1.9 million compared to the first half of fiscal 2008. The decrease is from the Corporation reducing its overall debt position by approximately \$36 million since the second quarter of 2008 coupled with lower interest rates on the debt carried compared to 2008. The Corporation continued to use cash flow from operations to reduce its current debt obligations and with the sales of Oricomm and Envirocore divisions in the first quarter of 2009 interest expense will continue to be reduced in 2009.

Loss/Gain on disposal of Property and Equipment

For the three and six months ended June 30, 2009, the gain on disposal of property and equipment was marginal and relates to the sale or disposal of minor non-core service equipment on our continuing operations only during the quarter.

Income taxes

For the three months ended June 30, 2009 there was an income tax recovery of \$0.8 million as compared to a recovery of \$0.7 million in the corresponding period of 2008. For the six months ended June 30, 2009 there was an income tax recovery of \$0.7 million compared to a recovery of \$0.1 million in the same period of 2008. At the expected combined income tax rate of 29%, net loss before income taxes from continuing operations for the six months ended June 30, 2009 of \$1.9 million would have resulted in an income tax recovery of approximately \$0.6 million compared to the actual recovery booked of \$0.7 million. There was an increase of approximately \$0.1 million for non-deductible items for income tax purposes offset by \$0.4 million for differences between the prior year income tax provision and the actual tax returns filed for fiscal 2008. The Corporation had no current income tax expense in the first half of 2009 as it has adequate tax pools available to reduce its current tax exposure.

SUMMARY OF QUARTERLY RESULTS

The following table presents the unaudited selected financial data for each of the last eight quarters of the Corporation ended June 30, 2009:

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

	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	2009	2009	2008	2008	2008	2008	2007	2007
Revenue-continuing operations	9,302	14,007	17,004	18,647	10,154	19,519	14,978	13,899
Net earnings (loss) from continuing operations	(1,260)	84	1,814	2,022	(1,894)	2,151	(57)	(18)
Per share – basic	(0.03)	0.00	0.04	0.05	(0.04)	0.05	0.00	0.00
Per share - diluted	(0.03)	0.00	0.04	0.05	(0.04)	0.05	0.00	0.00
Net earnings (loss)	(1,260)	488	1,550	313	(2,142)	2,737	196	369
Per share – basic	(0.03)	0.01	0.03	0.01	(0.05)	0.06	0.00	0.01
Per share - diluted	(0.03)	0.01	0.03	0.01	(0.05)	0.06	0.00	0.01

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.

DISCONTINUED OPERATIONS

During the fourth quarter of 2008, management identified its safety, communication and monitoring operations, Oricomm, included in the Technology Services segment, and its lease construction operations segment, Envirocore, included in the Drilling and Production Services segment, to be disposed of in order for the Corporation to focus on its core business operations. The disposal groups consisted of certain fixed assets consisting of field equipment, shop equipment and the data acquisition centre used in the safety, communication and monitoring operations and heavy equipment and field equipment used in the lease construction operations. On February 10, 2009 the Corporation entered into a definitive agreement to sell the safety, communication and monitoring operations. The transaction closed on February 26, 2009 for cash consideration of \$3.0 million and the assumption of a note receivable of \$0.64 million. On February 26, 2009 the Corporation entered into a definitive agreement to sell the lease construction operations. The transaction closed on February 27, 2009 for cash consideration of \$3.3 million and the assumption of a note receivable of \$1.5 million. Both of the notes receivable bear interest at commercial terms and are repayable over periods ranging from two to three years and are not based on any contingent factors.

Revenue from discontinued operations for the six months ended June 30, 2009 was \$0.3 million and net earnings from discontinued operations was \$0.4 million compared to 2008 where revenue from discontinued operations was \$9.3 million and net earnings from discontinued operations was \$0.3 million.

LIQUIDITY AND CAPITAL RESOURCES

On May 28, 2009 the Corporation renewed its credit facility with its syndicate of lenders, including National Bank of Canada, Canadian Western Bank and Alberta Treasury Branches. The renewal extends the revolving feature of the facility to May 29, 2010. Due to a significant increase in renewal and standby fees, management requested a decrease in the facility size from \$75.5-million to \$40-million. The credit facility has an accordion feature that allows the Corporation to increase the credit facility by \$20-million at a future date, subject to certain terms and conditions.

The \$40 million credit facility consists of an extendible revolving operating credit facility of \$10 million and an extendible revolving term facility of up to \$30 million available to finance equipment purchases for organic growth and potential acquisitions. IROC's ability to access its debt facilities is dependent on maintaining certain financial covenant ratios, among other factors. At June 30, 2009, IROC had \$23 million drawn upon the debt facilities. The remaining \$17 million in available facilities consists of \$9.2 million in an extendible revolving operating credit facility and \$7.8 million in the extendible revolving term facility. Management believes these debt facilities combined with IROC's ability to generate positive funds flow from operations will be sufficient to finance the Corporation's current business operations. The Corporation's ability to generate positive funds flow from operations will be important to allowing IROC to not only prosper during the current slowdown in industry activity but also allow IROC to be in a position to take advantage of growth opportunities that may present themselves during 2009.

As a result of the substantial reduction in total debt levels of the Corporation all covenants of the credit facility were in compliance at June 30, 2009 and based on expected future cash flows we anticipate no future non-compliance issues with our existing credit facility financial ratios.

At June 30, 2009 the Corporation had positive working capital, excluding current portion of long-term debt and notes receivable, of \$10.5 million as compared to \$9.8 million at December 31, 2008. The primary reason for the increase in the working capital is from lower debt levels on the operating line, slightly higher levels of accounts receivable and lower accounts payable. IROC used its available cash flow generated from operations to continue to reduce its outstanding debt levels through the second quarter of 2009.

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. 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	\$ 22,150	\$ 923	\$ 21,227	\$ -	\$ -
Obligations under capital lease	\$ 33	\$ 33	\$ -	\$ -	\$ -
Operating leases(1)	\$ 3,475	\$ 1,176	\$ 1,666	\$ 633	\$ -
Total contractual obligations	\$ 25,658	\$ 2,132	\$ 22,893	\$ 633	\$ -

(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 and six months ended June 30, 2009 were \$0.9 million and \$3 million respectively, which is predominantly related to the completion of the carryover of two service rigs under constructions of the previously announced build program in 2008 and maintenance capital expenditures and infrastructure support. These capital expenditures were financed using cash generated from operations and available debt facilities.

Our strategy to organically grow our capital asset base, focused on our core businesses, has resulted in IROC having capital assets, as a whole, in new or like new condition. Our service rigs represent the largest percentage of the Corporation's overall net book value of fixed assets.

The vast majority of the capital budget relates to maintenance capital only as the Corporation intends to focus its efforts on operating the current equipment base and utilize available cash flows generated from operations to reduce its outstanding debt levels. While opportunities to grow continue to exist management will evaluate these opportunities and consider adjusting the capital program if conditions warrant.

OUTSTANDING SHARE DATA AND NORMAL COURSE ISSUER BID

Effective December 16, 2008, the Corporation received approval from the Toronto Stock Exchange ("TSX") to implement a Normal Course Issuer Bid ("NCIB") commencing on December 19, 2008 and terminating on December 18, 2009. Purchases were made at the discretion of management at prevailing market prices, through the facilities of the TSX. As of July 31, 2009, a total of 410,644 shares were acquired and cancelled under the NCIB. The Corporation intends to cancel all shares acquired under the NCIB.

Balance at January 1, 2009	44,335,215
Issued on exercise of stock options	-
Issued from treasury	10,000
Shares repurchased and returned to treasury under NCIB	(410,644)
Balance at August 1, 2009	43,934,571

OFF BALANCE SHEET ARRANGEMENTS

IROC has not entered into any off-balance sheet arrangements other than the operating leases mentioned above.

TRANSACTIONS WITH RELATED PARTIES

There were no significant or material transactions with related parties during the three and six months ended June 30, 2009.

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

Goodwill and intangible assets

Effective January 1, 2009, the Corporation adopted new Canadian accounting standards related to goodwill and intangible assets (Section 3064). The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. In accordance with the transitional provisions, the revised guidance requires the company to expense \$770 of intangible assets related to pre-operating expenditures for start-up activities in the rental tools division included in the drilling and production services segment that were previously capitalized. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2008 have been restated. As a result, on the 2008 balance sheet, intangible assets have been decreased by \$411, retained earnings have been decreased by \$296, and future taxes have been decreased by \$115.

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.

Business combinations and consolidations

New Canadian accounting standards for Business Combinations, Consolidated Financial Statements and accounting for non-controlling interest holders have been issued. The purpose of these standards and revisions are to further align the Canadian accounting standards with IFRS. Although these standards are to be applied prospectively to transactions on or after January 1, 2011, early adoption is permitted. The Corporation does not anticipate that these standards will have a material impact on the Corporation's financial statements unless the Corporation completes a business combination or creates a non-controlling interest in a subsidiary.

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 June 30,		For the six months ended June 30,	
	<i>("Unaudited")</i>		<i>("Unaudited")</i>	
	2009	2008	2009	2008
Net earnings (loss) - continuing operations	(\$1,260)	(\$1,894)	(1,176)	\$256
Add:				
Depreciation and amortization	1,978	1,914	3,989	3,790
Other interest	54	24	127	159
Interest on long-term debt	187	827	399	1,802
Interest and accretion on debentures	0	235	0	472
Interest income on note receivable	(36)	0	(48)	0
Stock based compensation expense	85	63	195	139
Foreign exchange loss (gain)	354	6	408	(61)
Loss (gain) on disposal of equipment	(1)	(4)	(5)	(57)
	1,361	1,171	3,889	6,500
Income taxes:				
Current (recovery)	0	0	0	0
Future (recovery)	(785)	(686)	(732)	(101)
EBITDAS - continuing operations	576	485	3,157	6,399
EBITDAS - per share basic	0.01	0.01	0.07	0.14
EBITDAS - per share diluted	0.01	0.01	0.07	0.14

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 26, 2009 which is available under the Corporation's profile at www.sedar.com.

OUTLOOK

The outlook for 2009 remains uncertain. The global economic crisis is affecting all industries and the fall in oil and gas commodity pricing from the highs seen in the third quarter of 2008 continue to have a significant adverse affect on the oilfield service business. The conditions appear to have hindered the ability for oil and gas producers to access debt or equity markets to finance their operations. Most producers have substantially reduced their spending for 2009 with a focus on balance sheet preservation and matching spending with realistic cash flows. Increased spending by producers are expected to begin again when producers see sustained periods of higher natural gas and oil prices. Any positive change in commodity pricing will positively affect our outlook with any movement in oil providing the most immediate increase in utilization. The depressed utilization and competitive pricing environment will likely continue through the remainder of 2009 and potentially longer depending upon oil and gas prices.

For further information, please contact:

Thomas M. Alford, President & CEO

Telephone: (403) 263 - 1110

Facsimile: (403) 263 - 1182

E-mail: investorrelations@iroccorp.com

Consolidated Financial Statements of

IROC ENERGY SERVICES CORP.

Three and six months ended June 30, 2009 and 2008

IROC ENERGY SERVICES CORP.

Consolidated Balance Sheets

Expressed in thousands of dollars
(Unaudited)

	June 30, 2009	December 31, 2008 (As restated - note 1)
Assets		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	8,298	13,128
Notes receivable (note 3)	938	-
Inventory	4,397	4,130
Prepaid expenses and deposits	538	452
Income taxes receivable	72	72
Assets of discontinued operations (note 9)	892	3,615
	<u>15,136</u>	<u>21,398</u>
Notes receivable (note 3)	1,202	-
Intangible assets	3,733	4,076
Property and equipment	64,288	64,759
Goodwill	6,850	6,850
Assets of discontinued operations (note 9)	-	7,170
	<u>\$ 91,209</u>	<u>\$ 104,253</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loan (note 4)	\$ 925	\$ 4,716
Accounts payable and accrued liabilities	2,823	6,393
Current portion of long-term debt (note 5)	956	4,891
Liabilities of discontinued operations (note 9)	-	472
	<u>4,704</u>	<u>16,472</u>
Long-term debt (note 5)	21,227	20,116
Future income taxes	3,767	4,017
Shareholders' equity:		
Share capital (note 6)	51,199	51,591
Contributed surplus (note 6(c))	3,881	3,526
Retained earnings, as restated (note 1 a (i))	6,431	8,531
	<u>61,511</u>	<u>63,648</u>
	<u>\$ 91,209</u>	<u>\$ 104,253</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 Income and Comprehensive Income

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008 (As restated - note 1)	2009	2008 (As restated - note 1)
Revenue	\$ 9,302	\$ 10,154	\$ 23,310	\$ 29,674
Expenses:				
Operating	6,567	7,519	15,793	19,239
General and administrative	2,159	2,150	4,360	4,036
Stock-based compensation	85	63	195	139
Depreciation and amortization	1,978	1,914	3,989	3,790
Interest and accretion on debentures	-	235	-	472
Interest on long-term debt	187	827	399	1,802
Other interest	54	23	127	159
Interest income	(36)	-	(48)	-
Gain on disposal of equipment	(1)	(4)	(5)	(61)
Foreign exchange (gain) loss	354	6	408	(57)
	11,347	12,734	25,218	29,519
Earnings (loss) before income taxes from continuing operations	(2,045)	(2,580)	(1,908)	155
Income taxes (recovery): Future	(785)	(686)	(732)	(101)
Net income (loss) and comprehensive income (loss) from continuing operations	(1,260)	(1,894)	(1,176)	256
Net income (loss) and comprehensive income (loss) from discontinued operations (note 9)	-	(248)	404	339
Net income (loss) and comprehensive income (loss)	\$ (1,260)	\$ (2,142)	\$ (772)	\$ 595
Earnings (loss) per share from continuing operations:				
Basic	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ 0.00
Diluted	\$ (0.03)	\$ (0.04)	\$ (0.03)	\$ 0.00
Earnings (loss) per share from discontinued operations:				
Basic	\$ -	\$ (0.01)	\$ 0.01	\$ 0.01
Diluted	\$ -	\$ (0.01)	\$ 0.01	\$ 0.01
Earnings (loss) per share:				
Basic	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ 0.01
Diluted	\$ (0.03)	\$ (0.05)	\$ (0.02)	\$ 0.01
Weighted average number of shares outstanding:				
Basic	44,200,651	44,301,080	44,248,284	44,276,080
Diluted	44,200,651	44,321,531	44,248,284	44,304,325

See accompanying notes to the interim consolidated financial statements.

IROC ENERGY SERVICES CORP.

Consolidated Statement of Retained Earnings

Expressed in thousands of dollars
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Retained earnings, as previously reported, beginning of period	\$ 9,315	\$ 9,189	\$ 8,827	\$ 6,479
Change in accounting policy for capitalization of intangible assets (note 1 a (i))	(296)	(379)	(296)	(406)
Retained earnings as restated, beginning of period	9,019	8,810	8,531	6,073
Net earnings (loss)	(1,260)	(2,142)	(772)	595
Dividends	(1,328)	-	(1,328)	
Retained earnings, end of period	\$ 6,431	\$ 6,668	\$ 6,431	\$ 6,668

IROC ENERGY SERVICES CORP.

Consolidated Statements of Cash Flows

Expressed in thousands of dollars
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008 (As restated - note 1)	2009	2008 (As restated - note 1)
Cash provided by (used in):				
Operations:				
Net income (loss) from continuing operations	\$ (1,260)	\$ (1,894)	\$ (1,176)	\$ 256
Items not affecting cash:				
Depreciation and amortization	1,978	1,914	3,989	3,790
Future income taxes (recovery)	(785)	(686)	(732)	(101)
Stock-based compensation	85	63	195	139
Non-cash accretion on debentures	-	96	-	192
Gain on disposal of property and equipment	(1)	(4)	(5)	(61)
	17	(511)	2,271	4,215
Changes in non-cash working capital balances (note 7)	2,661	6,483	1,789	3,310
	2,678	5,972	4,060	7,525
Discontinued operations (note 9):				
Funds provided by (used in) discontinued operations	-	272	(152)	1,826
Changes in non-cash working capital balances of discontinued operations	120	1,070	2,251	1,693
	2,798	7,314	6,159	11,044
Investing:				
Purchase of property and equipment of continuing operations	(875)	(2,018)	(3,012)	(2,702)
Purchase of property and equipment of discontinued operations	-	(385)	(4)	(385)
Proceeds on disposal of property and equipment from continuing operations	8	272	95	61
Proceeds on disposal of property and equipment from discontinued operations	-	61	6,042	504
Change in non-cash working capital balances (note 7)	-	-	(906)	-
	(867)	(2,070)	2,215	(2,522)
Financing:				
Issue (repayment) of long-term debt	1,993	(4,777)	(2,824)	(4,803)
Operating loan repayments	(2,208)	(467)	(3,790)	(3,397)
Issue of common shares	7	-	7	18
Loan commitment fees	(200)	-	(200)	(340)
Payment of dividend	(1,328)	-	(1,328)	-
Shares repurchased for cancellation	(195)	-	(239)	-
	(1,931)	(5,244)	(8,374)	(8,522)
Increase in cash	-	-	-	-
Cash at beginning of period	1	1	1	1
Cash at end of period	\$ 1	\$ 1	\$ 1	\$ 1

See accompanying notes to the interim consolidated financial statements.

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and six months ended June 30, 2009 and 2008
(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 Venture Exchange under the symbol ISC.V.

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, 2008 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, 2008 contained in the Corporation's 2008 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 six months ended June 30, 2009 and 2008.

(a) Changes in accounting policies:

i) Goodwill and intangible assets:

Effective January 1, 2009, the Corporation adopted new Canadian accounting standards related to goodwill and intangible assets (Section 3064). The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. In accordance with the transitional provisions, the new guidance requires the company to expense \$770 of intangible assets related to pre-operating expenditures for start-up activities in the rental tools division included in the drilling and production services segment that were previously capitalized in 2006. This change in accounting policy has been accounted for retrospectively, and the comparative statements for 2008 have been restated. As a result, on the January 1, 2008 balance sheet, intangible assets have been decreased by \$565, retained earnings have been decreased by \$407, and future taxes have been decreased by \$158 and on the December 31, 2008 balance sheet, intangible assets have been decreased by \$411, retained earnings have been decreased by \$296, and future taxes have been decreased by \$115.

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and six months ended June 30, 2009 and 2008
(Unaudited)

1. Basis of presentation (continued):

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.

(a) Changes in accounting policies (continued):

iii) Business combinations and consolidations

New Canadian accounting standards for Business Combinations, Consolidated Financial Statements and accounting for non-controlling interest holders have been issued. The purpose of these standards and revisions are to further align the Canadian accounting standards with IFRS. Although these standards are to be applied prospectively to transactions on or after January 1, 2011, early adoption is permitted. The Corporation does not anticipate that these standards will have a material impact on the Corporation's financial statements unless the Corporation completes a business combination or creates a non-controlling interest in a subsidiary.

(b) Comparative figures:

Certain comparative figures have been reclassified to conform to the presentation adopted for the current year.

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.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and six months ended June 30, 2009 and 2008
(Unaudited)

3. Note receivable:

	June 30, 2009	December 31, 2008
Note receivable, interest at 6% payable monthly. Repayment terms are interest only until March 31, 2012 upon which the entire principal amount is due and payable (note 8).	\$ 640	\$ -
Note receivable, interest at 7% payable monthly. Repayment terms are interest only until March 31, 2010 upon which \$750 principal becomes due. The balance is to be paid in blended monthly payments of principal and interest until maturity on March 31, 2011 (note 8).	\$ 1,500	\$ -
	2,140	-
Less current portion	938	-
	\$ 1,202	\$ -

Given the uncertainties surrounding the current economic environment, management has assessed the valuation of each of the notes. Interest continues to be paid and collected in accordance with the terms of the original notes. Management is of the opinion that the loans are not impaired as at June 30, 2009.

4. Operating loan:

The Corporation has access to a \$10,000 extendible demand revolving operating credit facility. Drawings bear interest at the bank's prime rate plus 2.75%. The facility is secured by a general security agreement covering all of the assets of the Corporation. The effective interest rate at June 30, 2009 was 5.00%. As at June 30, 2009, \$925 (December 31, 2008 - \$4,716) was drawn on the facility.

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and six months ended June 30, 2009 and 2008
(Unaudited)

5. Long-term debt:

	June 30, 2009	December 31, 2008
Extendible revolving capital equipment acquisition facility of up to \$30,000 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 2.75%. The effective interest rate at June 30, 2009 was 5.00%. The facility expires on May 29, 2010 and is renewable at the lenders option, for an additional 364 day period. If not renewed, the facility is repayable in equal monthly payments over a period of two years.	\$ 22,150	\$ 24,950
Obligations under capital leases, repayable in monthly installments totaling \$3 plus interest at rates varying from 6.3% to 12.2%, secured by the specific equipment	33	57
	22,183	25,007
Less current portion	956	4,891
	\$ 21,227	\$ 20,116

6. Share capital:

(a) Issued:

	Number	Amount
Balance at December 31, 2008	44,335,215	\$ 51,591
Issued on exercise of restricted share unit options	10,000	7
Share buy-back (i)	(342,744)	(399)
Balance at June 30, 2009	44,002,471	\$ 51,199

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
Three and six months ended June 30, 2009 and 2008
(Unaudited)

6. Share capital (continued):

(a) Issued (continued):

i) On December 16, 2008, the Corporation received approval from the Toronto Stock Exchange ("TSX") to implement a Normal Course Issuer Bid ("NCIB") commencing on December 19, 2008 and terminating on December 18, 2009. Purchases were made at the discretion of management at prevailing market prices, through the facilities of the TSX. As at June 30, 2009, a total of 342,744 shares were acquired and cancelled under the NCIB at a cost of \$239 and a total of \$160 was transferred to contributed surplus upon the share cancellations. The NCIB continues until December 18, 2009 and the Corporation intends to cancel all additional shares acquired under the NCIB.

(b) Stock option plan:

Changes in the number of common shares under option during the six month period ended June 30, 2009 are summarized as follows:

	Number of options	Weighted average exercise price
Total options outstanding, December 31, 2008	1,880,625	\$ 1.71
Granted	673,498	0.55
Forfeited	(255,000)	1.11
Total options outstanding, June 30, 2009	2,299,123	\$ 1.44
Options exercisable at June 30, 2009	1,106,868	\$ 2.31

The weighted average fair value of the options issued during the six month period ended June 30, 2009 was \$0.55 per option using the Black-Scholes option pricing model.

(c) Contributed surplus:

Contributed surplus represents the cost of the stock-based compensation payments relating to the compensation expense for stock options granted to employees, directors and officers and the value of the excess of the book value of shares purchased on the open market by way of the Corporation's Normal Course Issuer Bid over the cost of acquiring the shares.

The following tables summarize information regarding contributed surplus:

Balance, December 31, 2008	\$ 3,526
Stock-based compensation expense	195
Normal Course Issuer Bid (note 6(a))	160
Balance, June 30, 2009	\$ 3,881

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts

Three and six months ended June 30, 2009 and 2008

(Unaudited)

7. Supplemental cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Interest paid	\$ 240	\$ 1,087	\$ 525	\$ 2,432
Income taxes paid	\$ –	\$ 144	\$ –	\$ 144
Changes in non-cash working capital components of continuing operations:				
Accounts receivable	\$ 3,985	\$ 8,771	\$ 4,830	\$ 4,123
Inventory	(4)	267	(275)	894
Prepaid expenses	2	(20)	(102)	(138)
Accounts payable and accrued liabilities	(1,322)	(2,391)	(2,664)	(1,425)
Income taxes payable	–	(144)	–	(144)
	\$ 2,661	\$ 6,483	\$ 1,789	\$ 3,310
Changes in non-cash working capital items in investing activities:				
Accounts payable	\$ –	\$ –	\$ (906)	\$ –
	\$ –	\$ –	\$ (906)	\$ –

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts

Three and six months ended June 30, 2009 and 2008

(Unaudited)

8. Segmented information:

As at June 30, 2009 the Corporation operates in two main segments, which are substantially in one geographic region. Drilling and production services include service rigs and related equipment and oilfield rental equipment and services. Technology services includes the manufacturing and distribution of downhole pressure and temperature measurement tools which provide technology based solutions to assist oil and gas companies in the production of oil and gas.

Three months ended June 30, 2009	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 6,249	\$ 3,053	\$ -	\$ 9,302
Depreciation and amortization	1,537	306	135	1,978
Interest on long-term debt	-	-	187	187
Interest and accretion on debentures	-	-	-	-
Other interest	-	-	54	54
Net earnings (loss) – continuing operations	(576)	(119)	(565)	(1,260)
Intangible assets	129	3,077	527	3,733
Goodwill	-	6,850	-	6,850
Property and equipment	61,707	1,660	921	64,288
Capital expenditures	866	4	5	875
Total assets from continuing operations	67,333	19,164	3,820	90,317

Three months ended June 30, 2008	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 7,418	\$ 2,736	\$ -	\$ 10,154
Depreciation and amortization	1,460	331	123	1,914
Interest on callable and long-term debt	-	-	827	827
Interest and accretion on debentures	-	-	235	235
Other interest	-	-	24	24
Net earnings (loss) – continuing operations	(76)	(99)	(1,719)	(1,894)
Intangible assets	677	3,888	535	5,100
Goodwill	-	6,850	-	6,850
Property and equipment	54,375	2,090	772	57,237
Capital expenditures	1,961	36	21	2,018
Total assets from continuing operations	61,041	20,566	2,256	83,863

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

Expressed in thousands of dollars except share and per share amounts
 Three and six months ended June 30, 2009 and 2008
 (Unaudited)

8. Segmented information (continued):

Six months ended June 30, 2009	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 18,056	\$ 5,254	\$ -	\$ 23,310
Depreciation and amortization	3,113	612	264	3,989
Interest on long-term debt	-	-	399	399
Interest and accretion on debentures	-	-	-	-
Other interest	-	-	127	127
Net earnings (loss) – continuing operations	1,536	(658)	(2,054)	(1,176)
Intangible assets	129	3,077	527	3,733
Goodwill	-	6,850	-	6,850
Property and equipment	61,707	1,660	921	64,288
Capital expenditures	2,941	3	67	3,011
Total assets from continuing operations	67,333	19,164	3,820	90,317

Six months ended June 30, 2008	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 22,655	\$ 7,019	\$ -	\$ 29,674
Depreciation and amortization	2,921	658	211	3,790
Interest on long-term debt	-	-	1,802	1,802
Interest and accretion on debentures	-	-	472	472
Other interest	-	-	159	159
Net earnings (loss) – continuing operations	4,547	438	(4,729)	256
Intangible assets	677	3,888	535	5,100
Goodwill	-	6,850	-	6,850
Property and equipment	54,375	2,090	772	57,237
Capital expenditures	2,496	102	104	2,702
Total assets from continuing operations	61,041	20,566	2,256	83,863

9. Discontinued operations:

During the fiscal year ended December 31, 2008, management identified its safety, communication and monitoring operations included in the Technology Services segment, and its lease construction operations included in the Drilling and Production Services segment, to be disposed of in order for the Corporation to focus on its core business operations. The disposal groups consisted of certain fixed assets consisting of field equipment, shop equipment and the data acquisition centre used in the safety, communication and monitoring operations and heavy equipment and field equipment used in the lease construction operations. On February 10, 2009 the Corporation entered into a definitive agreement to sell the safety, communication and monitoring operations. The transaction closed on February 26, 2009 for cash consideration of \$3,000 and the assumption of a note receivable of \$640. On February 26, 2009 the Corporation entered into a definitive agreement to sell the lease construction operations. The transaction closed on February 27, 2009 for cash consideration of \$3,300 and the assumption of a note receivable of \$1,500.

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

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9. Discontinued operations (continued):

During the fiscal year ended December 31, 2008, the Corporation disposed of its contract drilling rig division included in the Drilling and Production Services segment for cash consideration of \$32,035, net of selling costs. The assets disposed consisted of four drilling rigs and related support equipment that operated under the brand name of Mission Drilling. The sale of the first three rigs closed on September 19, 2008 and the final closing on the fourth rig was October 29, 2008. Net cash proceeds of \$23,935 were received on September 19, 2008 and \$8,100 was received on October 29, 2008.

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Revenue from discontinued operations:				
Lease construction, remediation and consulting	\$ -	\$ 689	\$ -	\$ 2,035
Contract drilling	-	1,686	-	4,847
Safety, communications and monitoring	-	831	287	2,415
	-	3,206	287	9,297
Net earnings (loss) from discontinued operations before taxes:				
Lease construction, remediation and consulting	-	(115)	215	80
Contract drilling	-	129	-	653
Safety, communications and monitoring	-	(354)	671	(273)
	-	(340)	886	460
Income taxes – future (recovery)	-	(92)	482	121
Net earnings (loss) from discontinued operations	\$ -	\$ (248)	\$ 404	\$ 339

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

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9. Discontinued operations (continued):

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

	June 30, 2009	December 31, 2008
Accounts receivable	\$ 892	\$ 3,615
Property and equipment	–	5,399
Goodwill	–	1,771
	–	7,170
Total assets of discontinued operations	\$ 892	\$ 10,785
Liabilities of discontinued operations	\$ –	\$ 472

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net earnings from discontinued operations	\$ –	\$ (248)	\$ 404	\$ 339
Items not affecting cash:				
Depreciation and amortization	–	549	–	1,287
Loss on disposal of net asset from discontinued operations	–	55	(1,038)	55
Stock based compensation	–	7	–	24
Gain on disposal of net assets from discontinued operations	–	–	–	–
Future income taxes	–	(91)	482	121
Funds (used in) provided by discontinued operations	\$ –	\$ 272	\$ (152)	\$ 1,826

Components of change in non-cash working capital balance of discontinued operations:

Accounts receivable	\$ 214	\$ 855	\$ 2,723	\$ 1,438
Accounts payable and accrued liabilities	(94)	215	(472)	255
	\$ 120	\$ 1,070	\$ 2,251	\$ 1,693

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Barristers & Solicitors
Calgary, Alberta

TRANSFER AGENT

Computershare Investor Services
Calgary, Alberta



TRADING INFORMATION

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Thomas M. Alford
Director

Stuart Watson
Director

William Austin
Director

Jamie Biluk
Director

Grant Fagerheim
Director

Newton (Trey) Wilson, III
Director

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Chief Financial Officer

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VP of Corporate Development, General
Counsel and Corporate Secretary