



2009 THIRD QUARTER REPORT

(UNAUDITED)

Report Contents

**TSX VENTURE
EXCHANGE: ISC**

SEPTEMBER 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,

As expected, Q3 2009 continued to provide challenges for the oil and gas services industry in Western Canada and, to a lesser extent, internationally. Lower utilization rates and pricing pressures continued to be front and center as oil and gas producers struggled with lower commodity pricing for natural gas and a burdensome regulatory and royalty regime in Alberta. While oil prices rebounded from lows earlier in the year, they did not compensate for the drilling and production activity lost on the natural gas side of the business. As a result, capital and operating budgets were slashed and the level of activity supported by new well drilling was curtailed significantly. While IROC Energy Services was able to operate at levels that created positive cash flow during the quarter, results fell far short of the same quarter in the prior year. While management believes that we have reached a bottom in terms of pricing and activity to the end of the winter drilling season, a number of critical factors must change before we see any significant improvement in the fundamentals of our industry.

Given that a rapid turnaround in the industry is unlikely to happen, management will continue to pursue the opportunities within our business units and ensure that operations run as efficiently as possible. Fortunately, IROC is dealing from a position of strength as we continue to navigate through these difficult times. These advantages include the newest in equipment and technology being deployed to the field, a relatively strong balance sheet and a significant portion of our revenues being generated outside of Alberta. We are also now seeing an increasing number of opportunities in terms of acquisitions and will continue to monitor the market for any deal that can provide both short and long term value for our shareholders. There have been some positive movement in our operating areas as equipment is retired, moved out of the WCSB and or consolidated, albeit at a slower than expected pace.

Eagle Well Servicing continues to provide the bulk of revenues and cash flow for IROC. Activity in all areas was down as compared to previous years but remained reasonable when compared to our peers in the industry. Stronger than expected activity in Saskatchewan offset disappointing results from our Alberta based operations. As we enter the fourth quarter, some additional equipment has been allocated into our busiest areas and rigs that have been racked for some time have been recertified and crews are being located for these rigs. There will be a definite shortage of qualified personnel during the coming winter months as seasonal activity increases which will add stress to the available labour pool. Many of the workers that had been trained during busier times have left the industry and are unlikely to return in the short term, placing an artificial cap on the capacity in the short term. In short, there is plenty of equipment, but there is a shortage of qualified personnel to operate it. We believe that the companies with the newest equipment will have an advantage in attracting crews, Eagle being foremost amongst them.

Canada Tech's bottom line has also been affected by the difficult industry conditions during the quarter, mainly as a result of the downturn in capital purchasing by oil and gas operators and the rapidly rising Canadian dollar. In an effort to further reduce costs and increase efficiencies inside the division, management has taken steps to consolidate the entire operation in Calgary. The modifications to our Calgary facility are currently underway and it is expected that we will begin to recognize cost savings of approximately \$300K per annum from the consolidation beginning with the 2010 fiscal year. Canada Tech's revenues have been significantly impacted by the reduced activity around the world, but we believe that revenues have bottomed and we look for increasing revenues as markets recover and new products developed over the past 12 months reach the market.

Aero Rentals has been the least affected of our divisions by the downturn in the industry with results for the quarter and the year to date remaining basically flat as compared to the previous year. This indicates a growing acceptance of our equipment and personnel as we gain some market share in a tough environment. We continue to look for rental acquisition opportunities and are continually adding to our equipment base as conditions dictate. Since certain opportunities that we had anticipated in terms of acquisitions have not yet materialized, management continues to focus on internally generated initiatives.

Despite the difficulties encountered by the industry, IROC continues to show its ability to generate positive cash flows on a consistent basis. As a result of our new equipment, relatively strong balance sheet and geographic diversity, we have been able to easily meet our obligations and plan for growth. Consolidation in the industry has begun and we continue to monitor events to evaluate how IROC can best participate.

With the winter months coming we are seeing the traditional seasonal increase in activity as the fourth quarter has begun and expect that the last half of the winter will compare favourably with last year's results. Oil prices have been firm and any change in the natural gas price will be welcomed as there is little room on the downside. I would reiterate however that there will be constraints on our recovery as a lack of personnel has already become an issue.

As always I would like to thank our employees, who have endured layoffs and wage roll backs as we adjust to the new operating environment, our shareholders and our customers. There is certainly evidence of a recovery in place but the pace of it will be choppy at best. In the meantime, our management and staff will continue to act in a manner that will ensure the short term viability and the longer term success of the company.

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)

	For the 3 months ended Sept 30,			For the nine months ended Sept 30,		
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	2009	2008	% Change	2009	2008	% Change
Revenue - continuing operations	\$10,231	\$18,647	-45%	\$33,540	\$48,321	-31%
Operating costs	6,908	10,909	-37%	22,701	30,148	-25%
Gross margin	3,323	7,738	-57%	10,839	18,173	-40%
Gross margin %	32%	41%	-22%	32%	38%	-16%
General and administrative expenses	1,951	2,220	-12%	6,311	6,256	1%
EBITDAS - continuing operations ⁽¹⁾	1,372	5,518	-75%	4,528	11,917	-62%
Per share diluted (1)	0.03	0.12	-75%	0.10	0.27	-63%
Net earnings (loss) - continuing operations	(9,314)	2,024	-560%	(10,490)	2,280	-560%
Per share diluted	(0.21)	0.05	-520%	(0.24)	0.05	-575%
Net earnings (loss)	(9,324)	315	-3060%	(10,096)	910	-1209%
Per share diluted	(0.21)	0.01	-2200%	(0.23)	0.02	-1243%
Weighted Average Number of shares outstanding						
Basic	43,947,852	44,304,504	-1%	44,147,039	44,285,624	0%
Diluted	43,947,852	44,324,122	-1%	44,147,039	44,446,091	-1%

(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”, the “Company”, “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 nine months ended September 30, 2009 as compared to the three and nine months ended September 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 nine months ended September 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 November 13, 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 Quarterly 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 publicly update any such forward-looking information and statements, whether as a result of new information, future events, or otherwise.

OVERALL PERFORMANCE

The low activity levels the oil and gas industry experienced during the first half of 2009 continued through the third 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 thus far in 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 lead to substantial pricing pressure and lower utilization in all oilfield related services.

Notwithstanding the difficult operating environment IROC was able to strengthen its balance sheet through the timely disposition of certain divisions’ assets, thereby providing greater flexibility in a time of uncertainty and through the reduction of administrative costs. Also our equipment remains the best in class, 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 is 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 nine months ended September 30, 2009 as compared to same period of 2008:

- IROC's revenue from continuing operations for the third quarter ended September 30, 2009 decreased 45.1%, to \$10.2 million from \$18.6 million compared to the same period in 2008. Revenue for the nine months ended September 30, 2009 was \$33.5 million compared to \$48.3 million, representing a decrease of 30.6%. 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 down in all three operating divisions year over year for the third quarter. Results in all our divisions are lower on a year to date basis to the end of September 30, 2009 compared to the previous year as a result of the significant reduction in demand for services brought about by the low commodity price environment, the rising Canadian dollar, and the ongoing royalty structure issues in Alberta.
- EBITDAS from continuing operations for the third quarter ended September 30, 2009 was \$1.4 million or \$0.03 per share, compared to \$5.5 million, or \$0.12 per share, in the same period of 2008. For the nine months ended September 30, 2009 EBITDAS was \$4.5 million or \$0.10 per share compared to \$11.9 million or \$0.27 per share in the same period of 2008, a decrease of 62%. EBITDAS for the third quarter and for the nine months decreased year over year mainly as a result of lower activity levels across the industry and reduced demand for the Corporation's goods and services. 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 but 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 24.7% for the nine months ended September 30, 2009 and 2008, respectively.
- The Corporation had a net loss from continuing operations of \$9.3 million, \$0.21 per share, for the three months ended September 30, 2009 compared to a net profit of \$2.0 million, \$0.05 per share, for the comparable period for 2008. For the nine months ended September 30, 2009, the Corporation had a net loss from continuing operations of \$10.5 million, \$0.24 per share, compared to net earnings of \$2.3 million, \$0.05 per share, for the same period of 2008. The main reason for the significant loss in the most recent quarter was the recognition of impairment in goodwill of \$6.8 million, or \$0.16 per share, and the recognition of impairment in notes receivable of \$1.5 million, or \$0.03 per share. The recognition of the impairment in goodwill is a one-time, non-cash item resulting from management's assessment that the carrying value of goodwill related to the Technology Services segment exceeds its fair value. The recognition of the impairment of goodwill resulted in no remaining carrying value of goodwill as at September 30, 2009. The recognition of the impairment in notes receivable is also a one-time, non-cash item resulting from management's assessment that the given the current economic environment, the valuation of the notes receivable is impaired.
- G and A costs for the three months ended September 30, 2009 fell 12.1% as compared to the previous year, with G and A costs of \$1.95 million as compared to \$2.22 million the previous year. This reflects management's ongoing efforts to align overhead costs with reduced revenues.

- As previously reported, we had 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 third quarter of 2009 with net debt of approximately \$11 million. During the three months ended September 30, 2009, the Corporation reduced its long debt by \$0.4 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. Since the payment of the first dividend in May, 2009 management determined there should be a refinement of the timing for the dividend process to better align it with the Corporation's cash flow cycles. Based on the seasonal nature of our current business mix, consideration will be given to dividend payments in January and July going forward and the amount paid to shareholders, if any, will be declared after full consideration is given to a number of factors. Accordingly, the Board has resolved to move the consideration of the next dividend payment until January 2010.
- 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. Subsequent to May 28, 2009, the lenders have amended the terms of the credit facility to change certain covenants. Under the terms of the amended credit facility, the Corporation currently projects that it will be in compliance with each of the covenants of the credit facility as at December 31, 2009 and through next year.

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 September 30, 2009 of \$8.2 million or 80% of total consolidated revenue for the quarter as compared to the corresponding period in 2008 of \$13.6 million or 73% of total revenue. For the nine months ended September 30, 2009 revenue from Drilling and Production Services segment was \$26.2 million or 78% of total revenue as compared to the same period of 2008 of \$36.3 million or 75% 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 and activities levels in the industry as whole. For the three months ended September 30, 2009, the Drilling and Production Services segment generated positive EBITDAS of \$2.3 million compared to \$5.2 million in the same period of 2008, a decrease of 55.8%. EBITDAS for the nine months ended September 30, 2009 was \$7.0 million compared to \$12.6 million in 2008, a decrease of 44.4%. The decrease year over year was from lower utilization of equipment, lower gross margins driven by increases in field wages during a time when customers pressured pricing levels 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 third quarter of 2009 was approximately 34% compared to 61% utilization in the comparable period of 2008. Revenue per hour also decreased in the third quarter by \$50 per hour or 6.9%. Revenue generated from Eagle during the third quarter of 2009 was \$7.2 million compared to \$12.3 million in the same period of 2008, a decrease of 41.5%. For the nine months ended September 30, 2009 revenue was \$23.0 million compared to \$32.6 million in the same period of 2008, a decrease of 29.4%. EBITDAS for the third quarter of 2009 from Eagle was \$2.1 million compared to \$4.8 million in the same period of 2008, a decrease of 56.2%. For the nine months ended September 30, 2009 EBITDAS was \$6.6 million, down from \$12.1 million in the same period of 2008, a decrease of 45.5%. 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. Field wages in Eagle have recently been reduced based on recommended wage decreases by the CAODC but the reductions will only nominally mitigate increased pricing pressures and reduced activity levels.

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 third quarter of 2009, Aero contributed revenue of \$1.0 million compared to \$1.3 million in the prior year period, a decrease of 23.1%. Revenue for the nine months ended September 30, 2009 was \$3.3 million, down slightly from \$3.6 million in the same period of 2008. Aero generated EBITDAS of \$0.2 million for the third quarter of 2009 compared to EBITDAS of \$0.3 million in the same period of 2008. EBITDAS for the nine months ended September 30, 2009 was \$0.4 million, down slightly from EBITDAS of \$0.5 million in the nine months ended September 30, 2008. Thus far this year, Aero has been more resilient to the downturn in the economy than the other two divisions. This indicates a growing acceptance of our equipment and personnel as we gain market share in a tough environment. Also, as with all our divisions, Aero continues to focus on cost reductions.

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 \$2.0 million, or 20.0% of the Corporation’s total consolidated revenue for the three months ended September 30, 2009, compared to \$5.0 million or 27% of total consolidated revenue for the comparable period of fiscal 2008. For the nine months ended September 30, 2009 revenue was \$7.3 million, down from \$12.0 million in 2008, a decrease of 39.1%. 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 September 30, 2009, Canada Tech had positive EBITDAS of \$0.1 million compared to positive EBITDAS of \$1.4 million in the same period of 2008. EBITDAS for the nine months ended September 30, 2009 was \$0.5 million compared to \$2.4 million in the same period of 2008.

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 nine months ended September 30, 2009 was negative \$2.8 million compared to negative \$3.0 million for the comparable period of 2008. For the three months ended September 30, 2009, the impact on EBITDAS from the Corporate Services was negative \$1.0 million as it was for the three months ended September 30, 2008.

RESULTS OF OPERATIONS

Revenue

For the three months ended September 30, 2009, IROC recorded quarterly revenue from continuing operations of \$10.2 million compared to \$18.6 million in the same period of 2009, a decrease of \$8.4 million or 45.1%. Revenue decreased to \$33.5 million from \$48.3 million, a drop of 30.1%, for the nine months ended September 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 slightly for oil during the third 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:

	For the 3 months ended Sept 30,		For the nine months ended Sept 30,	
	(Unaudited) 2009	2008	(Unaudited) 2009	2008
REVENUE SOURCE				
Drilling and Production Services	80%	73%	78%	75%
Technology Services	20%	27%	22%	25%
TOTAL	100%	100%	100%	100%

We expect the allocation of revenues for fiscal 2009 will be approximately 80% from Drilling and Production Services and 20% from Technology Services.

Operating Costs and Gross Margin

For the three months ended September 30, 2009 operating costs of continuing operations were \$6.9 million (67.4% of revenue) as compared to \$10.9 million (58.6% of revenue) in the comparable period of 2008. Operating costs for the nine months ended September 30, 2009 were \$22.7 million (67.7% of revenue) compared to \$30.1 million (62.3% of revenue) for the same period of 2008. Historically, the third quarter gross margins show improvement over the second quarter as we move out of a seasonally weaker period. Unfortunately, the low commodity prices and pricing pressures have hampered the recovery from the historically weak second quarter this year. 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. 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 September 30, 2009 were \$2.0 million (19.1% of revenue) compared to \$2.2 million (11.8% of revenue) in the comparable period of 2008. For the nine months ended September 30, 2009, G&A was \$6.3 million compared to \$6.3 million in the same period of 2008. The flat G&A expense on a year over year basis is reflective of the reductions in headcount in our administrative and support areas as through six months G&A expenses had increased \$0.3 over 2008. G&A costs should continue to trend downwards through the remainder of the year as management has curtailed a number of discretionary expenditures for 2009. Management 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 \$0.3 million for nine months ended September 30, 2009 and was \$0.2 million for 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 dependent upon certain conditions existing at the time of granting of the related stock options.

Note Receivable Impairment

Given the uncertainties surrounding the current economic environment, management has assessed the valuation of each of the notes receivable as at September 30, 2009. Management has recognized impairment of one of the notes receivable in the amount of \$1.5 million.

Goodwill Impairment

During the quarter, the Corporation tested its goodwill for impairment. As a result of performing the tests described above, it was determined that impairment of \$6.85 million had occurred in the Corporation’s Technology Services reporting unit at September 30, 2009. The recognition of the impairment of goodwill resulted in no remaining carrying value of goodwill as at September 30, 2009.

Depreciation and Amortization

For the three months ended September 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 \$6.0 million for the first nine months of 2009, up slightly from \$5.7 million for the same period of 2008.

Interest Expense

Interest expense decreased by \$0.6 million for the three months ended September 30, 2009 compared to the same period in 2008. For the nine months ended September 30, 2009, interest expense decreased by \$2.5 million compared to 2008. The decrease is from the Corporation reducing its overall debt position by approximately \$36 million since the middle of the third quarter of 2008. This was slightly mitigated by a slight increase in interest rates in 2009. 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 nine months ended September 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 September 30, 2009 there was a future income tax reduction of \$0.3 million as compared to a future income tax expense of \$0.5 million in the corresponding period of 2008. For the nine months ended September 30, 2009 there was an income tax reduction of \$1.0 million compared to a future income tax expense of \$0.4 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 nine months ended September 30, 2009 of \$11.5 million would have resulted in an income tax recovery of approximately \$3.3 million compared to the actual recovery booked of \$1.0 million. There was an increase of approximately \$2.2 million for non-deductible items for income tax purposes. The Corporation had no current income tax expense year to date in 2009 as it has adequate tax pools available to reduce its current income tax exposure.

RECAST OF DECEMBER 31, 2008 INVENTORY

The Corporation has recast its inventory and retained earnings at December 31, 2008 for an insignificant change to the value of certain inventory at December 31, 2008. As a result, inventory decreased at December 31, 2008 by \$0.4 million, future income taxes liability decreased by \$0.1 million, and retained earnings decreased by \$0.3 million.

SUMMARY OF QUARTERLY RESULTS

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

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

<u>Net Continuing Operations</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>	<u>Q2</u>	<u>Q1</u>	<u>Q4</u>	<u>Q3</u>
	<u>2009</u>	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
Revenue-continuing operations	10,231	9,302	14,007	17,004	18,647	10,154	19,519	14,978	13,899
Net earnings (loss) from continuing operations	(9,314)	(1,260)	84	1,534	2,022	(1,894)	2,151	(57)	(18)
Per share – basic	(0.21)	(0.03)	0.00	0.03	0.05	(0.04)	0.05	0.00	0.00
Per share - diluted	(0.21)	(0.03)	0.00	0.03	0.05	(0.04)	0.05	0.00	0.00
Net earnings (loss)	(9,324)	(1,260)	488	1,270	313	(2,142)	2,737	196	369
Per share – basic	(0.21)	(0.03)	0.01	0.03	0.01	(0.05)	0.06	0.00	0.01
Per share - diluted	(0.21)	(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 nine months ended September 30, 2009 was \$0.3 million and net earnings from discontinued operations was \$0.8 million compared to 2008 where revenue from discontinued operations was \$15.7 million and the net loss from discontinued operations was \$1.4 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. As at September 30, 2009, IROC had drawn a total of \$22.8 million on the on the credit facilities. 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. The remaining \$17.2 million in available facilities consists of \$9.0 in an extendible revolving operating facility and \$8.2 in an extendible revolving term facility.

At September 30, 2009 the Corporation had positive working capital, excluding current portion of long-term debt, of \$10.0 million as compared to \$9.4 million at December 31, 2008. IROC used its available cash flow generated from operations to continue to reduce its outstanding debt levels through the third quarter of 2009.

Future cash requirements will be met through generating funds from operations. Additional financing may be met by 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	\$ 21,750	\$ 3,625	\$ 18,125	\$ -	\$ -
Obligations under capital lease	\$ 25	\$ 25	\$ -	\$ -	\$ -
Operating leases(1)	\$ 2,664	\$ 749	\$ 1,365	\$ 550	\$ -
Total contractual obligations	\$ 24,439	\$ 4,399	\$ 19,490	\$ 550	\$ -

(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 nine months ended September 30, 2009 were \$0.3 million and \$3.3 million respectively, which is predominantly related to the completion of our 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 and they are among the newest fleet of service rigs in the industry.

The vast majority of the current 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 November 20, 2009, a total of 858,244 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	20,000
Shares repurchased and returned to treasury under NCIB	(462,744)
Shares repurchased for return to treasury under NCIB (not returned @ 9/30/09)	(395,500)
Balance at November 20, 2009	43,496,971

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 nine months ended September 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 Sept 30,		For the nine months ended Sept 30,	
	<i>("Unaudited")</i>		<i>("Unaudited")</i>	
	2009	2008	2009	2008
Net earnings (loss) - continuing operations	(\$9,314)	\$2,024	(10,490)	\$2,280
Add:				
Depreciation and amortization	2,073	1,959	6,062	5,749
Goodwill impairment	6,850	0	6,850	0
Note receivable impairment	1,500	0	1,500	0
Other interest	50	68	177	227
Interest on long-term debt	276	756	675	2,558
Interest and accretion on debentures	0	152	0	624
Interest income on note receivable	(18)	0	(66)	0
Stock based compensation expense	57	59	252	198
Foreign exchange loss (gain)	168	(24)	575	(81)
Loss (gain) on disposal of equipment	(2)	(14)	(7)	(75)
	1,640	4,980	5,528	11,480
Income taxes:				
Current (recovery)	0	0	0	0
Future (recovery)	(268)	538	(1,000)	437
EBITDAS - continuing operations	1,372	5,518	4,528	11,917
EBITDAS - per share basic	0.03	0.12	0.10	0.27
EBITDAS - per share diluted	0.03	0.12	0.10	0.27

INTERNAL CONTROL OVER FINANCIAL REPORTING

On August 20, 2009 the Corporation's CFO resigned and no replacement has yet been hired. While the Company does not believe the vacancy in the CFO position has caused a material weakness in the Company's internal controls or its preparation for the implementation of IFRS, a prolonged vacancy in the CFO position could result in such a weakness. The Company expects to have the CFO position filled by the end of 2009.

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

While the outlook for the remainder 2009 remains uncertain, IROC’s management is of the view the affect of the global economic crisis on the oil and gas industry, and specifically the oilfield service business, has reach the bottom of the trough. There has been stabilization in commodity pricing and some producers are now beginning to shift their focus from strict balance sheet preservation to a more opportunistic approach of trying to accumulate assets at a low cost. Accordingly we expect to see more activity in the industry during the fourth quarter 2009 and into the first quarter of 2010 which should translate into high utilization rates. The current pricing pressures will take longer to ease but we do not expect pricing to go lower at this point. IROC’s management is acutely aware that we are in a cyclical business and we will continue to closely monitor industry activity levels and commodity pricing to insure we are well positioned at each stage of the cycle.

For further information, please contact:

Thomas M. Alford, President & CEO

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E-mail: investorrelations@iroccorp.com

Consolidated Financial Statements of

IROC ENERGY SERVICES CORP.

Three and nine months ended September 30, 2009 and 2008

IROC ENERGY SERVICES CORP.

Consolidated Balance Sheets

Expressed in thousands of dollars
(Unaudited)

	September 30, 2009	December 31, 2008 (As restated - note 1)
Assets		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	8,373	13,128
Inventory	4,169	3,730
Prepaid expenses and deposits	490	452
Income taxes receivable	72	72
Assets of discontinued operations (note 10)	778	3,615
	<u>13,883</u>	<u>20,998</u>
Notes receivable (note 3)	640	-
Intangible assets	3,448	4,076
Property and equipment	62,779	64,759
Goodwill (note 4)	-	6,850
Assets of discontinued operations (note 10)	-	7,170
	<u>\$ 80,750</u>	<u>\$ 103,853</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Operating loan (note 5)	\$ 1,027	\$ 4,716
Accounts payable and accrued liabilities	2,920	6,393
Current portion of long-term debt (note 6)	3,650	4,891
Liabilities of discontinued operations (note 10)	-	472
	<u>7,597</u>	<u>16,472</u>
Long-term debt (note 6)	18,125	20,116
Future income taxes	3,374	3,897
Shareholders' equity:		
Share capital (note 7)	50,830	51,591
Contributed surplus (note 7(c))	3,997	3,526
Retained earnings (deficit), as restated (note 1)	(3,173)	8,251
	<u>51,654</u>	<u>63,368</u>
	<u>\$ 80,750</u>	<u>\$ 103,853</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 (Loss) and Comprehensive Income (Loss)

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008 (As restated - note 1)	2009	2008 (As restated - note 1)
Revenue	\$ 10,231	\$ 18,647	\$ 33,540	\$ 48,321
Expenses:				
Operating	6,908	10,909	22,701	30,148
General and administrative	1,951	2,220	6,311	6,256
Stock-based compensation	57	59	252	198
Note receivable impairment (note 3)	1,500	-	1,500	-
Goodwill impairment (note 4)	6,850	-	6,850	-
Depreciation and amortization	2,073	1,959	6,062	5,749
Interest and accretion on debentures	-	152	-	624
Interest on long-term debt	276	756	675	2,558
Other interest	50	68	177	227
Interest income	(18)	-	(66)	-
Gain on disposal of property and equipment	(2)	(14)	(7)	(75)
Foreign exchange (gain) loss	168	(24)	575	(81)
	19,813	16,085	45,030	45,604
Earnings (loss) before income taxes from continuing operations	(9,582)	2,562	(11,490)	2,717
Future income taxes (reduction)	(268)	538	(1,000)	437
Net income (loss) from continuing operations	(9,314)	2,024	(10,490)	2,280
Net income (loss) from discontinued operations (note 10)	(10)	(1,709)	394	(1,370)
Net income (loss) and comprehensive income (loss)	\$ (9,324)	\$ 315	\$ (10,096)	\$ 910
Earnings (loss) per share from continuing operations:				
Basic	\$ (0.21)	\$ 0.05	\$ (0.24)	\$ 0.05
Diluted	\$ (0.21)	\$ 0.05	\$ (0.24)	\$ 0.05
Earnings (loss) per share from discontinued operations:				
Basic	\$ -	\$ (0.04)	\$ 0.01	\$ (0.03)
Diluted	\$ -	\$ (0.04)	\$ 0.01	\$ (0.03)
Earnings (loss) per share:				
Basic	\$ (0.21)	\$ 0.01	\$ (0.23)	\$ 0.02
Diluted	\$ (0.21)	\$ 0.01	\$ (0.23)	\$ 0.02
Weighted average number of shares outstanding:				
Basic	43,947,852	44,304,504	44,147,039	44,285,624
Diluted	43,947,852	44,324,122	44,147,039	44,446,091

See accompanying notes to the interim consolidated financial statements.

IROC ENERGY SERVICES CORP.

Consolidated Statement of Retained Earnings (Deficit)

Expressed in thousands of dollars
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Retained earnings, as previously reported, beginning of period	\$ 6,431	\$ 7,019	\$ 8,827	\$ 6,479
Change in accounting policy for capitalization of intangible assets (note 1)	-	(351)	(296)	(406)
Recast of inventory as at December 31, 2008 (note 1 (b))	(280)	-	(280)	-
Retained earnings as restated, beginning of period	6,151	6,668	8,251	6,073
Net earnings (loss)	(9,324)	315	(10,096)	910
Dividends	-	-	(1,328)	-
Retained earnings (deficit), end of period	\$ (3,173)	\$ 6,983	\$ (3,173)	\$ 6,983

See accompanying notes to the interim consolidated financial statements.

IROC ENERGY SERVICES CORP.

Consolidated Statements of Cash Flows

Expressed in thousands of dollars
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008 (As restated - note 1)	2009	2008 (As restated - note 1)
Cash provided by (used in):				
Operations:				
Net income (loss) from continuing operations	\$ (9,314)	\$ 2,024	\$ (10,490)	\$ 2,280
Items not affecting cash:				
Note receivable impairment (note 3)	1,500	-	1,500	-
Goodwill impairment (note 4)	6,850	-	6,850	-
Depreciation and amortization	2,073	1,959	6,062	5,749
Future income taxes (reduction)	(268)	538	(1,000)	437
Stock-based compensation	57	59	252	198
Non-cash accretion on debentures	-	64	-	256
Gain on disposal of equipment	(2)	(14)	(7)	(75)
	896	4,630	3,167	8,845
Changes in non-cash working capital balances (note 8)	(102)	(3,362)	1,686	(52)
	794	1,268	4,853	8,793
Discontinued operations (note 10):				
Funds provided by (used in) discontinued operations	(15)	760	(166)	2,585
Changes in non-cash working capital balances of discontinued operations	114	(1,108)	2,365	584
	893	920	7,052	11,962
Investing:				
Purchase of property and equipment of continuing operations	(284)	(2,773)	(3,296)	(5,474)
Purchase of property and equipment of discontinued operations	-	(854)	(4)	(1,238)
Proceeds on disposal of property and equipment from continuing operations	8	26	102	529
Proceeds on disposal of property and equipment from discontinued operations	-	23,995	6,042	24,056
Change in non-cash working capital balances (note 8)	-	-	(906)	-
	(276)	20,394	1,938	17,873
Financing:				
Repayment of long-term debt	(408)	(21,619)	(3,232)	(26,421)
Operating loan advances (repayments)	102	7,290	(3,689)	3,893
Issue of common shares	7	15	15	33
Loan commitment fees	-	-	(200)	(340)
Repayment of debentures	-	(7,000)	-	(7,000)
Payment of dividend	-	-	(1,328)	-
Shares repurchased for cancellation	(318)	-	(556)	-
	(617)	(21,314)	(8,990)	(29,835)
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 nine months ended September 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 nine months ended September 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.

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.

IROC ENERGY SERVICES CORP.

Notes to the Interim Consolidated Financial Statements

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

1. Basis of presentation (continued):

iii) Business combinations and consolidations

New Canadian accounting standards for business combinations, consolidated financial statements and accounting for non-controlling interest holders were issued in January 2009. New Canadian accounting standards for financial instruments and capital disclosures were issued in June 2009. 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.

iv) Financial instruments and financial disclosures

New Canadian accounting standards for financial instruments and capital disclosures were issued in June 2009. 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.

(b) Inventory adjustment:

The Corporation has recast its inventory and retained earnings at December 31, 2008 for the insignificant decrease in the value of certain inventory. As a result, inventory decreased at December 31, 2008 by \$400, future income taxes liability decreased by \$120 and retained earnings decreased by \$280.

(c) 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 nine months ended September 30, 2009 and 2008
(Unaudited)

3. Notes receivable:

	September 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 10).	\$ 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 10).	\$ 1,500	\$ -
	2,140	-
Less current portion	-	-
Less impairment of note receivable	(1,500)	-
	\$ 640	\$ -

Given the uncertainties surrounding the current economic environment, management assessed the valuation of each of the notes. At September 30, 2009, management recognized the impairment of one of the notes receivable in the amount of \$1,500.

4. Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less any liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the business combination.

Goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared to its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of the reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of the goodwill is determined in a business combination described in the previous paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

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4. Goodwill (continued)

As a result of performing the tests described above, it was determined that impairment had occurred in the Corporation's Technology Services reporting unit at September 30, 2009. The conditions that precipitated the goodwill impairment were the covenant violation as at September 30, 2009 combined with the unfolding global financial crisis and the resulting decrease in capital spending brought about by the decline in commodity prices by exploration and production companies. The culmination of these conditions has further decreased the market value of the Corporation, which resulted in the non-cash impairment charge of \$6,850.

The recognition of the impairment of goodwill resulted in no remaining carrying value of goodwill as at September 30, 2009.

5. 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 September 30, 2009 was 5.00%. As at September 30, 2009, \$1,027 (December 31, 2008 - \$4,716) was drawn on the facility.

The Corporation is required to maintain compliance with certain financial covenants on its debt which are measured quarterly. The Corporation and its lenders have amended the terms of the credit facility as of November 27, 2009. Under the terms of the amended credit facility, the Corporation currently projects that it will be in compliance with each of the covenants of the credit facility as at December 31, 2009 and for the next year.

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6. Long-term debt:

	September 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 September 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.	\$ 21,750	\$ 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	25	57
	21,775	25,007
Less current portion	3,650	4,891
	\$ 18,125	\$ 20,116

The Corporation is required to maintain compliance with certain financial covenants on its debt which are measured quarterly. The Corporation and its lenders have amended the terms of the credit facility as of November 27, 2009. Under the terms of the amended credit facility, the Corporation currently projects that it will be in compliance with each of the covenants of the credit facility as at December 31, 2009 and for the next year.

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7. Share capital:

(a) Issued:

	Number	Amount
Balance at December 31, 2008	44,335,215	\$ 51,591
Issued on exercise of restricted share unit options	20,000	14
Share buy-back (i)	(858,244)	(775)
Balance at September 30, 2009	43,496,971	\$ 50,830

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 September 30, 2009, a total of 462,744 shares were repurchased and cancelled under the NCIB at a cost of \$319 and a total of \$219 was transferred to contributed surplus upon the share cancellations. As at September 30, 2009, a total of 395,500 shares were purchased at a cost of \$237 for cancellation subsequent to September 30, 2009 under the NCIB. 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 nine month period ended September 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	763,498	0.56
Forfeited	(583,750)	1.31
Total options outstanding, September 30, 2009	2,060,373	\$ 1.40
Options exercisable at September 30, 2009	891,244	\$ 2.28

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

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7. Share capital (continued):

(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		252
Normal Course Issuer Bid (note 7(a))		219
Balance, September 30, 2009	\$	3,997

8. Supplemental cash flow information:

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Interest paid	\$ 327	\$ 913	\$ 852	\$ 3,153
Income taxes paid	\$ -	\$ -	\$ -	\$ 143
Changes in non-cash working capital components of continuing operations:				
Accounts receivable	\$ (75)	\$ (5,950)	\$ 4,755	\$ (1,827)
Inventory	(172)	44	(448)	938
Prepaid expenses	48	47	(54)	(92)
Accounts payable and accrued liabilities	97	2,497	(2,567)	1,072
Income taxes payable	-	-	-	(143)
	\$ (102)	\$ (3,362)	\$ 1,686	\$ (52)
Changes in non-cash working capital items in investing activities:				
Accounts payable	\$ -	\$ -	\$ (906)	\$ -
	\$ -	\$ -	\$ (906)	\$ -

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9. Segmented information:

As at September 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 September 30, 2009	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 8,179	\$ 2,052	\$ -	\$ 10,231
Depreciation and amortization	1,604	309	160	2,073
Interest on long-term debt	-	-	276	276
Other interest	-	-	50	50
Net earnings (loss) – continuing operations	724	(7,311)	(2,727)	(9,314)
Intangible assets	114	2,874	460	3,448
Property and equipment	60,294	1,588	897	62,779
Capital expenditures	197	35	52	284
Total assets from continuing operations	66,825	11,374	1,773	79,972

Three months ended September 30, 2008	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 13,594	\$ 5,053	\$ -	\$ 18,647
Depreciation and amortization	1,470	332	157	1,959
Interest on callable and long-term debt	-	-	756	756
Interest and accretion on debentures	-	-	152	152
Other interest	-	-	68	68
Net earnings (loss) – continuing operations	3,683	1,046	(2,705)	2,024
Intangible assets	174	3,685	485	4,344
Goodwill	-	6,850	-	6,850
Property and equipment	55,602	1,966	1,059	58,627
Capital expenditures	2,705	10	378	3,093
Total assets from continuing operations	65,418	22,764	10,992	99,174

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9. Segmented information (continued):

Nine months ended September 30, 2009	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 26,234	\$ 7,306	\$ -	\$ 33,540
Depreciation and amortization	4,718	921	423	6,062
Interest on long-term debt	-	-	675	675
Other interest	-	-	177	177
Net earnings (loss) – continuing operations	2,253	(7,969)	(4,774)	(10,490)
Intangible assets	114	2,874	460	3,448
Property and equipment	60,294	1,588	897	62,779
Capital expenditures	3,138	38	120	3,296
Total assets from continuing operations	66,825	11,374	1,773	79,972

Nine months ended September 30, 2008	Drilling and Production Services	Technology Services	Corporate	Total
Revenue	\$ 36,249	\$ 12,072	\$ -	\$ 48,321
Depreciation and amortization	4,391	990	368	5,749
Interest on long-term debt	-	-	2,558	2,558
Interest and accretion on debentures	-	-	624	624
Other interest	-	-	227	227
Net earnings (loss) – continuing operations	8,230	1,484	(7,434)	2,280
Intangible assets	174	3,685	485	4,344
Goodwill	-	6,850	-	6,850
Property and equipment	55,602	1,966	1,059	58,627
Capital expenditures	4,882	111	481	5,474
Total assets from continuing operations	65,418	22,764	10,992	99,174

10. 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.

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10. 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:

	September 30, 2009	December 31, 2008
Accounts receivable	\$ 778	\$ 3,615
Property and equipment	-	5,399
Goodwill	-	1,771
	-	7,170
Total assets of discontinued operations	\$ 778	\$ 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 September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net earnings(loss) from discontinued operations	\$ (10)	\$ (1,709)	\$ 871	\$ (1,370)
Items not affecting cash:				
Depreciation and amortization	-	644	-	1,931
Loss (gain) on disposal of net asset from discontinued operations	-	2,387	(1,037)	2,441
Stock based compensation	-	(4)	-	20
Future income taxes	(5)	(558)	477	(437)
Funds (used in) provided by discontinued operations	\$ (15)	\$ 760	\$ (166)	\$ 2,585
Components of change in non-cash working capital balance of discontinued operations:				
Accounts receivable	\$ 114	\$ (1,398)	\$ 2,837	\$ 41
Accounts payable and accrued liabilities	-	290	(472)	543
	\$ 114	\$ (1,108)	\$ 2,365	\$ 584

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Calgary, Alberta

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LEGAL COUNSEL

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Barristers & Solicitors
Calgary, Alberta

TRANSFER AGENT

Valiant Trust Company
Calgary, Alberta

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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

Timothy J. Sebastian
VP of Corporate Development, General
Counsel and Corporate Secretary

