



IROC



PRESIDENT'S MESSAGE THIRD QUARTER 2010

The continued strength in the price of oil combined with the ever increasing application of horizontal drilling has provided for significant improvements in levels of activity in the Western Canadian Sedimentary Basin in the third quarter of 2010. Increased drilling activity targeting the Cardium formation of Central Alberta and ongoing completion and workover demand in heavy oil has created a situation where our service rigs are experiencing utilization levels not seen since 2006. Given the strength in the price of oil going into year end, we can reasonably expect activity levels to remain robust for the remainder of the winter season. The fact that we are able to achieve this utilization at a time when natural gas prices are under severe pressure gives us reason to believe that there is potential for year over year improvements in 2011. IROC Energy Services has once again begun to invest capital into new equipment in select parts of our business, with the anticipated delivery of a new single service rig in late November or early December of 2010 and an increased commitment to the expansion of our Aero equipment rental fleet through the acquisition of the rental assets of Trust Energy Services in July of 2010 and the purchase of new blow out preventer ("BOP") equipment to complement our existing inventory. It is expected that we will continue to evaluate opportunities as they arise and continue to invest our capital where appropriate returns can be achieved.

Eagle Well Servicing performed very well with total hours worked during the quarter reaching a new high. Led by the performance in our Lloydminster and Red Deer based rigs, we posted year over year gains in utilization driven by oil based activity in both of these areas. Total hours worked reached 18,300 representing a utilization rate of 57% based on the 35 rigs in our current fleet. While year over year operating margins are fairly consistent, current year margins were impacted by extra operating costs incurred to bring previously idled rigs back into service. Moving into the fourth quarter, we expect improvements in operating margins due to better pricing and a return to normal levels of operating costs. With all 35 service rigs fully operational and crewed at the end of September 2010, and with the new service rig being delivered in late November or early December, we expect that Eagle will continue to post record hours through the 4th quarter and into the beginning of 2011. When combined with the expected stabilization in our costs and slight movement forward in our pricing, management believes Eagle will continue to perform well on both a standalone and relative basis. Eagle Well Servicing has developed solid relationships with active oil and gas operators across Western Canada by providing the newest equipment available, trained personnel and a competent group of managers that combine to provide value to our customers both in superior customer service and efficient operations. We are expecting continued strong utilization and improved financial performance through the winter season resulting from our customers' oil driven activities and seasonal activity increases from our northern based rigs.

The business model that we have patiently constructed of internal growth and small acquisitions, has finally begun to show its merit in our Aero Rental Services division. Sales in the third quarter significantly outperformed our initial expectations with revenues of \$1,801 thousand and EBITDAS of 29% of revenue. As previously stated, the infrastructure developed at Aero, with our facilities and staff of pressure control professionals, is capable of supporting substantially higher revenues with little increase in costs. With the acquisition of the rental assets of Trust Energy Services in mid July and the continuous addition of new equipment to our inventory, we have begun to capitalize on the opportunity that we envisioned when we started this division from scratch. Additional BOP, pressure control and horizontal drilling and completion equipment has been added to address the changing needs of our customers as the application of new technology is implemented into their programs. The application of new production techniques requires equipment not readily available, creating new opportunity for Aero management to

apply their knowledge and experience to increase the efficiency of our customers operations. During the 2010 calendar year we have developed and patented new equipment that will save our customers substantial capital as they bring their new technologies online. Currently being utilized by a number of oil companies in both Western and Eastern Canadian resource plays, plans are underway to build on our initial successes with this new equipment and technology, and to market it across North America in conjunction with a major oil and gas operator with worldwide operations. Also, presentations relating to the new equipment will be made at technical conferences in the United States starting early in 2011. While our revenues for this division remain relatively small, at 11% of IROC's total revenues during the third quarter 2010, it is clearly evident that the group is beginning to supply a greater than proportionate share of the EBITDAS in the company. With the fixed costs being relatively stable as revenues rise, management expects that Aero will become an important contributor to the financial performance of our Company, providing an increasing share of both revenue and cash flow over time.

Canada Tech continues to work hard to penetrate markets but given the project oriented nature of its sales we continue to experience volatility in its revenue streams. A strong start to Q3 was followed by disappointing results in the last half of the quarter. Certain projected revenues that had been anticipated did not materialize as projects were either deferred or, in some cases, cancelled by the customers, causing the division to miss its budgeted revenues and EBITDAS for the 3 months ended September 30th. Management continues to work on efficiencies to reduce our fixed costs while at the same time pushing hard to extend our penetration into select markets around the world. As indicated in previous quarters, new products have been introduced to meet the growing demand from various oil sands applications in Canada. Not achieving our budgeted numbers in our Canada Tech division is a disappointment but we view it as short term and continue to have great confidence in our employees, products and technologies.

Overall management is pleased with our performance in the quarter. The first step to full recovery is an increase in our utilization and that has certainly been achieved in our well servicing business. Also, growth is again being achieved with the addition of new well servicing and rental equipment to augment the rigs that have been returned to the field after being idled during the downturn of over the past year or two. Opportunities for our Company are again emerging and it is our intention to take advantage where we can to deliver increasing returns to our shareholders not only in the short term but over a longer time frame as well.

Respectfully submitted,

(signed) "Thomas Alford"

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



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

Management's Discussion and Analysis (MD&A) is a review of the results of operations and liquidity and capital resources 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). The following discussion and analysis provided by IROC is dated November 23, 2010 and should be read in conjunction with the unaudited consolidated financial statements for the three and nine months ended September 30, 2010 and the audited consolidated financial statements and management's discussion and analysis of IROC for the year ended December 31, 2009, as well as the Corporation's Annual Information Form ("AIF"). These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are expressed in Canadian dollars unless otherwise noted. Additional information relating to IROC, including IROC's AIF, is available on Sedar at www.sedar.com.

Cautionary Statement Regarding Forward Looking Information and Statements

Certain information contained in this MD&A, Quarterly Report and the President's Message, including information related to the Corporation's planned capital expenditures and growth opportunities, outlook for future oil and gas prices, cyclical industry fundamentals, drilling, completion, work over and abandonment activity levels, the Corporation's ability to fund future obligations and capital expenditures, and information or 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. This information or 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 future industry activity, is premised on the Corporation's understanding of customers' capital budgets and their ability to access capital, the focus of its customers on deeper and horizontal drilling opportunities in the current natural gas pricing environment, and the continuing impact of the recent global financial crisis and the current economic recovery all of which affects the demand for oil and gas. 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 the annual MD&A for the year ended December 31, 2009 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 Corporation assumes no obligation to update publicly any such forward-looking information and statements, whether as a result of new information, future events, or otherwise.

Throughout 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010:

- Total revenue from continuing operations increased 61% to \$16.4 million for the three months ended September 30, 2010 as compared to \$10.2 million in the comparable period of the prior year.
- Gross margin from continuing operations increased 52% to \$5.0 million for the three months ended September 30, 2010 as compared to \$3.3 million in the comparable period of the prior year.
- EBITDAS from continuing operations increased 116% to \$3.0 million for the three months ended September 30, 2010 as compared to \$1.4 million in the comparable period of the prior year.
- Net income from continuing operations increased to \$437 thousand for the three months ended September 30, 2010 as compared to a loss of \$9.3 million in the comparable period of the prior year.
- Expanded our rental product lines to include coil tubing and related well servicing equipment through the acquisition of the rental assets of Trust Energy Services Corp.

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010:

- Total revenue from continuing operations increased 30% to \$43.5 million for the nine months ended September 30, 2010 as compared to \$33.5 million in the comparable period of the prior year.
- Gross margin from continuing operations increased 27% to \$13.8 million for the nine months ended September 30, 2010 as compared to \$10.8 million in the comparable period of the prior year.
- EBITDAS from continuing operations increased 61% to \$7.3 million for the nine months ended September 30, 2010 as compared to \$4.5 million in the comparable period of the prior year.
- Net loss from continuing operations decreased to \$94 thousand for the nine months ended September 30, 2010 as compared to a loss of \$10.5 million in the comparable period of the prior year.

OPERATIONS

IROC's continuing operations are reported in three segments; the *Drilling and Production Services* segment, the *Technology Services* segment and *Corporate Services*. The following is a discussion of the reporting segments in which IROC operates.

DRILLING AND PRODUCTION SERVICES

The Drilling and Production Services segment provides services and rental equipment to oil and gas exploration, development and production companies with most of our customers and operations being located in western Canada, in the provinces of Alberta and Saskatchewan.

The Drilling and Production Services segment consists of two divisions:

Eagle Well Servicing ("Eagle") contracts service rigs to oil and gas companies to perform various completion, work-over and maintenance services on oil and natural gas wells. Eagle has offices and equipment in Red Deer, Grande Prairie and Lloydminster in Alberta and an office and equipment in Estevan, Saskatchewan with equipment being used in those geographic areas.

Aero Rental Services ("Aero") provides rental equipment for surface pressure control in drilling and work-over operations and tubular handling equipment used for the work over, re-entry and completion operations. Aero has an office in Red Deer, Alberta with equipment being rented for use primarily in Alberta. Aero's results are directly affected by the level of new well drilling activity.

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

OPERATIONS (CONTINUED)

DRILLING AND PRODUCTION SERVICES (CONTINUED)

	September 30, 2010	Three months ended		December 31, 2009
		June 30, 2010	March 31, 2010	
Eagle Well Servicing:				
Number of service rigs	35	35	36	36
Service rig utilization	57%	33%	55%	49%
Aero Rental Services:				
Gross margin \$000's	735	233	467	455
Book value of rental equipment \$000's	8,733	7,379	7,005	6,868
Commodity prices:				
NYMEX crude oil \$US/bbl	76.20	78.03	78.72	76.19
AECO Monthly index natural gas \$CAD/GJ	3.57	3.66	5.08	4.01

	September 30, 2009	Three months ended		December 31, 2008
		June 30, 2009	March 31, 2009	
Eagle Well Servicing:				
Number of service rigs	36	36	34	32
Service rig utilization	34%	27%	46%	54%
Aero Rental Services:				
Gross margin \$000's	311	60	368	366
Book value of rental equipment \$000's	6,743	6,873	5,076	5,254
Commodity prices:				
NYMEX crude oil \$US/bbl	68.30	59.62	43.08	58.73
AECO Monthly index natural gas \$CAD/GJ	2.87	3.47	5.34	6.43

Eagle currently has a fleet of 35 service rigs with our equipment amongst the newest in the industry. All Eagle's service rigs are internally guyed with no requirement for external anchors. This reduces set up time and corresponding costs when compared to anchored rigs. During the second quarter we ceased marketing of our oldest service rig and have removed it from the number of active service rigs for utilization calculation purposes.

Commodity prices are the main activity driver as the Corporation's customers' exploration and development programs are directly impacted by oil and natural gas prices. Oil and gas producers spend capital on new wells and service operations when they are economic within the context of current and forecasted commodity prices. Year over year, crude oil prices have been stronger in the first nine months of this year and have been following a general trend of strengthening since the fourth quarter of 2008. Natural gas prices have experienced less of a recovery than crude oil and remain relatively weak in comparison to historic price levels over the past five years. At current price levels, natural gas development is focused on resource type development projects and liquids rich reservoirs as much conventional shallow gas is no longer economic.

Service rig utilization, as measured by IROC's internal methodology, increased in the quarter to 57%, as compared to 34% in the comparative period of last year. Our utilization percentage increased by 24% as compared to the second quarter as activity levels recovered from the slowdown in the second quarter due to normal seasonality caused by spring break up. Year to date, our utilization percentage has increased 13% averaging 48% in the current year to date period as compared to 35% in the prior year period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATIONS (CONTINUED)

DRILLING AND PRODUCTION SERVICES (CONTINUED)

On July 16, 2010 IROC purchased all of the rental assets, rental contracts, and most of the business assets of Trust Energy Services Corp. ("Trust"). Trust was a privately owned Alberta based oilfield rental company, specializing in a complete line of coil tubing and well servicing equipment rentals. The Trust assets were acquired to complement Aero Rental Services existing rental assets and to expand the products and services offered. The Trust rental location was closed and all equipment was transferred and integrated into IROC's existing rental asset inventory immediately after the purchase. As part of the asset purchase, Trust's manager has joined Aero Rental Services in a management position.

TECHNOLOGY SERVICES

The Technology Services segment is comprised solely of our Canada Tech division. Canada Tech develops, manufactures and sells or rents a wide line of tools and systems that measure pressures, temperatures and other attributes in the downhole and surface environment of oil and gas wells.

Canada Tech continues to make progress in the sales of products that measure temperature and pressure in Steam Assisted Gravity Drainage ("SAGD") applications in Alberta's heavy oil sector. This is a market segment with large growth potential as this sector has been growing and has recently surpassed natural gas in the dollar amount of Crown royalties being paid to the Alberta Government for the first time.

Canada Tech's customers require data that is reliable, consistent and accurate. Our products utilize new and superior technology enabling our gauges and systems to operate in higher temperatures and more challenging environments. Canada Tech's competitive advantage is the ability to look at each well individually and adapt a system to match the needs of the customer within the well parameters. Due to the custom nature of much of Canada Tech's sales, much of the manufacturing is done on a build to order basis and a significant portion of revenues are on a project basis.

There is continued progress in the permanent monitoring market because of our ability to adapt systems to the customer's needs. This is evident through the SAGD and shale gas projects we are involved in where we are deploying new Hybrid technology which measures temperatures and pressures up to 225°C. In addition, we have developed permanent technology for measuring temperature up to 260°C. For customers with multiple zones in a well, we have installed permanent multi gauge systems with up to six gauges per well. We anticipate growth in SAGD and multiple zone applications, both in Western Canada and internationally where permanent monitoring technology has become more accepted and is ready to be deployed.

In memory tools we continue to pursue sales into international markets. Although sales are marginally reduced over the prior year period, we have executed additional customer contracts and anticipate continued growth over the coming year. In addition, Canada Tech has developed increased memory capability in both Piezo gauges and Quartz gauges to allow for additional data storage.

Canada Tech differs from our other divisions in that the capital requirement is smaller and the value of the division is contained in its patents and proprietary technology. A significant portion of Canada Tech's costs are fixed and as such increased sales volumes have a magnified effect on the EBITDAS of IROC. Financial performance in the quarter fell short of expectations due to permanent installation projects being delayed or cancelled. While these results are disappointing, we continue to gain market acceptance with our high temperature permanent systems with installations scheduled with two additional SAGD customers in the fourth quarter of this 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. Also, included in Corporate Services is interest expense for debt servicing and income tax expense.

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

FINANCIAL RESULTS AND SELECTED FINANCIAL INFORMATION

\$ 000's except number of shares and per share amounts	September 30, 2010	Three months ended June 30, 2010	March 31, 2010	December 31, 2009
Revenue:				
Eagle Well Servicing	12,241	6,642	11,731	10,537
Aero Rental Services	1,801	894	1,776	1,501
Total drilling & production services	14,042	7,536	13,507	12,038
Technology services	2,402	3,289	2,741	3,445
Total revenue	16,444	10,825	16,248	15,483
Operating costs:				
Eagle Well Servicing	8,234	5,106	7,570	6,982
Aero Rental Services	1,066	661	1,309	1,047
Total drilling & production services	9,300	5,767	8,879	8,029
Technology services	2,108	1,897	1,751	2,356
Total operating costs	11,408	7,664	10,630	10,385
Gross margin⁽¹⁾				
Eagle Well Servicing	4,007	1,536	4,162	3,555
Aero Rental Services	735	233	467	455
Total drilling & production services	4,742	1,769	4,629	4,010
Technology services	294	1,392	989	1,088
Total gross margin	5,036	3,161	5,618	5,098
Gross margin %⁽¹⁾:				
Eagle Well Servicing	33%	23%	35%	34%
Aero Rental Services	41%	26%	26%	30%
Total drilling & production services	34%	23%	34%	33%
Technology services	12%	42%	36%	32%
Total gross margin %	31%	29%	35%	33%
EBITDAS⁽¹⁾:				
Eagle Well Servicing	3,403	1,079	3,566	3,057
Aero Rental Services	524	101	316	331
Total drilling & production services	3,927	1,180	3,882	3,388
Technology services	(204)	765	475	512
Corporate	(747)	(970)	(979)	(927)
Total EBITDAS	2,976	975	3,378	2,973
General and administrative	2,060	2,186	2,240	2,125
Depreciation and amortization	2,268	2,003	1,991	2,392
Interest expense net of interest income	293	265	360	446
Stock based compensation	98	129	178	74
Provision for current and future income taxes	187	(278)	235	380
Loss (gain) on foreign exchange	(2)	(88)	97	43
Net income (loss) from continuing operations	437	(1,055)	524	(395)
Net income (loss)	437	(1,055)	524	(481)
Net income (loss) per common share from continuing operations:				
- Basic	\$0.01	\$(0.02)	\$0.01	\$(0.01)
- Diluted	\$0.01	\$(0.02)	\$0.01	\$(0.01)
Net income (loss) per common share:				
- Basic	\$0.01	\$(0.02)	\$0.01	\$(0.01)
- Diluted	\$0.01	\$(0.02)	\$0.01	\$(0.01)
Weighted average common shares outstanding:				
- Basic	43,502,346	43,604,911	43,576,971	43,565,754
- Diluted	43,523,763	43,604,911	43,576,971	43,565,754

(1) See Non-GAAP Measures

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

FINANCIAL RESULTS AND SELECTED FINANCIAL INFORMATION (CONTINUED)

\$ 000's except number of shares and per share amounts	Three months ended			
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Revenue:				
Eagle Well Servicing	7,166	5,349	10,444	12,238
Aero Rental Services	1,013	900	1,362	1,367
Total drilling & production services	8,179	6,249	11,806	13,605
Technology services	2,052	3,053	2,201	3,398
Total revenue	10,231	9,302	14,007	17,003
Operating costs:				
Eagle Well Servicing	4,652	3,919	6,544	7,117
Aero Rental Services	702	840	994	1,001
Total drilling & production services	5,354	4,759	7,538	8,118
Technology services	1,554	1,808	1,688	2,573
Total operating costs	6,908	6,567	9,226	10,691
Gross margin⁽¹⁾				
Eagle Well Servicing	2,514	1,430	3,900	5,121
Aero Rental Services	311	60	368	366
Total drilling & production services	2,825	1,490	4,268	5,487
Technology services	498	1,245	513	825
Total gross margin	3,323	2,735	4,781	6,312
Gross margin %⁽¹⁾:				
Eagle Well Servicing	35%	27%	37%	42%
Aero Rental Services	31%	7%	27%	27%
Total drilling & production services	34%	24%	36%	40%
Technology services	24%	41%	23%	24%
Total gross margin %	32%	29%	34%	37%
EBITDAS⁽¹⁾:				
Eagle Well Servicing	2,129	997	3,434	4,397
Aero Rental Services	206	(53)	261	241
Total drilling & production services	2,335	944	3,695	4,638
Technology services	29	556	(165)	159
Corporate	(985)	(917)	(950)	(895)
Total EBITDAS	1,379	583	2580	3,902
General and administrative	1,944	2,152	2,201	2,410
Depreciation and amortization	2,073	1,978	2,011	1,791
Interest expense net of interest income	308	205	273	512
Stock based compensation	64	92	110	67
Provision for current and future income taxes	(268)	(785)	54	615
Loss (gain) on foreign exchange	168	354	54	(616)
Net income (loss) from continuing operations	(9,314)	(1,260)	82	1,532
Net income (loss)	(9,324)	(1,260)	488	1,268
Net income (loss) per common share from continuing operations:				
- Basic	\$(0.21)	\$(0.03)	\$ -	\$0.05
- Diluted	\$(0.21)	\$(0.03)	\$ -	\$0.05
Net income (loss) per common share:				
- Basic	\$(0.21)	\$(0.03)	\$0.01	\$0.04
- Diluted	\$(0.21)	\$(0.03)	\$0.01	\$0.04
Weighted average common shares outstanding:				
- Basic	43,947,852	44,200,651	44,296,448	44,304,504
- Diluted	43,947,852	44,200,651	44,296,448	44,324,122

(1) See Non-GAAP Measures

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

SUMMARY OF QUARTERLY RESULTS

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, especially the Drilling and Production Services Segment, will vary on a quarterly basis.

During the three month period ended September 30, 2009 the Corporation had one-time write downs for goodwill (\$6.9 million) and a note receivable (\$1.5 million) which impacted net earnings. See the sections titled *Goodwill Impairment* and *Notes Receivable Impairment* in the annual MD&A for the year ended December 31, 2009 for additional information relating to these items.

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR

Revenue

\$ 000's	Three months ended			
	September 30, 2010	September 30, 2009	Change \$	Change %
Revenue:				
Eagle Well Servicing	12,241	7,166	5,075	71%
Aero Rental Services	1,801	1,013	788	78%
Total drilling & production services	14,042	8,179	5,863	72%
Technology services (Canada Tech)	2,402	2,052	350	17%
Total revenue	16,444	10,231	6,213	61%

\$ 000's	Nine months ended			
	September 30, 2010	September 30, 2009	Change \$	Change %
Revenue:				
Eagle Well Servicing	30,614	22,959	7,655	33%
Aero Rental Services	4,471	3,275	1,196	37%
Total drilling & production services	35,085	26,234	8,851	34%
Technology services (Canada Tech)	8,432	7,306	1,126	15%
Total revenue	43,517	33,540	9,977	30%

Total revenues have increased year over year for both the three and nine month periods ended September 30, 2010 reflecting the general recovery in the oil and gas sector and increased demand for the Corporation's products and services.

The increase in revenues at Eagle is the result of higher utilization for the three and nine month periods ended September 30, 2010. For the nine month period ended September 30, 2010 the increase is also partly attributable to the addition of two new service rigs in the second quarter of 2009 which were not available for the first quarter of the prior year. During the downturn of industry activity experienced during 2009 and early 2010 competitive pressure forced a reduction in hourly rig rates and the inclusion of certain extras without charge in order to remain competitive. With increased industry activity we have experienced an increase in the amount of total revenue but hourly revenues continue to be lower than the prior year, or pre-downturn levels due to this continued competitive pricing pressure. This reduced hourly rig revenues in the latter part of 2009 and continues to impact current rates. For the three months ended September 30, 2010 average sales prices were 3% lower than in the prior year comparative period. For the nine months ended September 30, 2010 average sales prices were 16% lower than in the nine month comparative period. Currently, we are starting to see the early signs of a trend toward upward movement on pricing and a return to more normal service inclusions as demand continues to recover.

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

Revenue (continued)

The increase in revenue at Aero is attributable to an increase both in utilization and in the amount of rentable equipment in the current year period where we had approximately \$8.7 million of equipment available for rent during the current year period as compared to about \$6.7 million in the prior year period. In the prior year periods, proportionately more of our rental revenue was related to third party equipment than in the current year which caused higher operating expenses as we paid third parties rental fees.

In Technology Services, Canada Tech had a significant increase in sales to international customers on a year to date basis despite the strengthening of the Canadian dollar. In the past three quarters, as we saw the change in commodity prices and producers re-start spending on capital projects, a targeted plan to increase customer visibility both domestically and internationally was undertaken. As part of this program, travel was increased and this contributed to sales to international customers for both new and continuing projects. New agent relationships in China and Middle East promoted growth in these segments with product currently being evaluated to ensure our tools perform as required for the specific conditions of these marketplaces. While revenue for both the quarter and the year to date is above the prior year, it decreased from the first two quarters of the year when we sold and installed several pilots of our permanent systems into high temperature and multi-gauge applications. We currently have permanent systems installed at a number of domestic customer's oil sands wells on a pilot or trial basis. If these systems prove reliable for the harsh environments under which they are operating we have the potential for increased sales when they decide to deploy our systems more widely as a normal part of their field development.

Crude oil and natural gas prices are activity drivers for all of our businesses as our customers make capital and operating expenditure decisions based on their revenue streams which are generated by selling crude oil and natural gas. NYMEX Crude oil prices in the current year quarter averaged \$US76.20 / barrel as compared to \$US68.30 / barrel in the prior year. Natural gas prices were averaged \$3.57 per GJ in the current year quarter as compared to \$2.87 per GJ in the prior year quarter.

Operating Costs and Gross Margin

\$ 000's	September 30, 2010	September 30, 2009	Change \$	Change %
Operating costs:				
Eagle Well Servicing	8,234	4,652	3,582	77%
Aero Rental Services	1,066	702	364	52%
Total drilling & production services	9,300	5,354	3,946	74%
Technology services	2,108	1,554	554	36%
Total operating costs	11,408	6,908	4,500	65%
Gross margin:⁽¹⁾				
Eagle Well Servicing	4,007	2,514	1,493	59%
Aero Rental Services	735	311	424	136%
Total drilling & production services	4,742	2,825	1,917	68%
Technology services	294	498	(204)	(41%)
Total gross margin	5,036	3,323	1,713	52%
Gross margin %⁽¹⁾:				
Eagle Well Servicing	33%	35%		(2%)
Aero Rental Services	41%	31%		10%
Total drilling & production services	34%	35%		(1%)
Technology services	12%	24%		(12%)
Total gross margin %	31%	32%		(1%)

(1) See Non-GAAP Measures

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

Operating Costs and Gross Margin (continued)

\$ 000's	September 30, 2010	September 30, 2009	Change \$	Change %
Operating costs:				
Eagle Well Servicing	20,910	15,116	5,794	38%
Aero Rental Services	3,036	2,536	500	20%
Total drilling & production services	23,946	17,652	6,294	36%
Technology services	5,756	5,050	706	14%
Total operating costs	29,702	22,702	7,000	31%
Gross margin:⁽¹⁾				
Eagle Well Servicing	9,705	7,844	1,861	24%
Aero Rental Services	1,435	739	696	94%
Total drilling & production services	11,140	8,583	2,557	30%
Technology services	2,675	2,256	419	19%
Total gross margin	13,815	10,839	2,976	27%
Gross margin %⁽¹⁾:				
Eagle Well Servicing	32%	34%		(2%)
Aero Rental Services	32%	23%		9%
Total drilling & production services	32%	33%		(1%)
Technology services	32%	31%		1%
Total gross margin %	32%	32%		0%

(1) See Non-GAAP Measures

Many operating costs are variable in nature and increase or decrease with activity levels such that much of the change in operating costs in the year over year periods is due to the increases in revenues in the current year period as compared to the prior year period.

The cost of goods sold is included in operating costs for our Technology Services segment. Technology services operating costs were higher than expected during the quarter due to what we believe are one-time overruns in manufacturing costs, some of which related to projects which started in prior quarters but were completed or terminated in the current quarter. Also, in our Technology Services segment, operating costs are benefitting from the consolidation of Canada Tech's operations in Calgary. Previously, Canada Tech had offices and facilities in both Red Deer and Calgary, Alberta.

During the latter part of 2009 and into the spring of 2010 the Corporation was very focused on operating cost efficiencies and the reduction of head count and discretionary spending in order to reduce costs to align with the reduced activity levels of the downturn. As activity levels began to recover this summer and fall, we have needed to adjust head count in some areas to match the increases in activity while still being focused on minimization of discretionary costs.

Gross margin is calculated as revenue minus operating costs and provides a measure of cash flow available to cover all of the other costs of the business. Gross margin percentages were lower for our Eagle division during both the three month and nine month periods due to lower pricing in the current year periods. Gross margin percentages were higher for our Aero division during both the three month and nine month periods largely due to the increase in the quantity of rental assets and revenues. The decline in gross margin for Technology Services in the quarter is primarily attributable to the increased operating costs recognized during the quarter. On a relative basis, more of the costs in the Technology Services segment are fixed or step-variable in nature than in the Drilling and Production Services segment.

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

EBITDAS

\$ 000's except per share amounts	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
EBITDAS⁽¹⁾:				
Eagle Well Servicing	3,403	2,129	1,274	60%
Aero Rental Services	524	206	318	154%
Total drilling & production services	3,927	2,335	1,592	68%
Technology services	(204)	29	(233)	(803%)
Corporate	(747)	(985)	238	(24%)
Total EBITDAS	2,976	1,379	1,597	116%
EBITDAS per common share⁽¹⁾				
- Basic	\$0.07	\$0.03	\$0.04	133%
- Diluted	\$0.07	\$0.03	\$0.04	133%

(1) See Non-GAAP Measures

\$ 000's except per share amounts	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
EBITDAS⁽¹⁾:				
Eagle Well Servicing	8,048	6,561	1,487	23%
Aero Rental Services	941	414	527	127%
Total drilling & production services	8,989	6,975	2,014	29%
Technology services	1,036	420	616	147%
Corporate	(2,696)	(2,852)	156	(5%)
Total EBITDAS	7,329	4,543	2,786	61%
EBITDAS per common share⁽¹⁾				
- Basic	\$0.17	\$0.10	\$0.07	70%
- Diluted	\$0.17	\$0.10	\$0.07	70%

(1) See Non-GAAP Measures

Earnings before interest, income taxes, depreciation, amortization, and stock based compensation (“EBITDAS”) is used by the Corporation as a measure of cash flow and liquidity. Overall, EBITDAS has grown significantly when compared to the prior year quarter and prior year nine month periods. Positive EBITDAS provides cash needed to grow our business through the purchase of new equipment or business acquisitions, reduce outstanding bank debt, or pay dividends to our shareholders. We believe Aero will continue to report strong EBITDAS growth relative to our other businesses as we add equipment and rental revenue to this division.

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

General and Administrative Expenses

\$ 000's	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
General and administrative				
Eagle Well Servicing	604	380	224	59%
Aero Rental Services	211	104	107	103%
Total drilling & production services	815	484	331	68%
Technology services (Canada Tech)	498	470	28	6%
Corporate	747	990	(243)	(25%)
Total general and administrative	2,060	1,944	116	6%

\$ 000's	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
General and administrative				
Eagle Well Servicing	1,657	1,280	377	29%
Aero Rental Services	494	324	170	52%
Total drilling & production services	2,151	1,604	547	34%
Technology services (Canada Tech)	1,639	1,837	(198)	(11%)
Corporate	2,696	2,855	(159)	(6%)
Total general and administrative	6,486	6,296	190	3%

In our Drilling and Production services segment, increased general and administrative expenses are primarily attributable to increased compensation costs largely due to incentive compensation accruals in the current year quarter and nine month periods. During the downturn experienced in 2009 we focused on cost efficiencies in all areas of our business and reduced head counts and discretionary spending where possible to match costs with activity levels. As activity levels recover, some increases in general and administrative costs have been required to support the increased levels of activity.

In our Technology Services segment changes between both the three month and nine month periods are primarily related to bad debt experience in the prior year where there were expenses in the first six months of 2009 and a recovery in the third quarter of 2009. Adjusted for the bad debts experience, general and administrative expenses are similar between the two years.

Stock-based Compensation Expense

\$ 000's	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Stock based compensation				
Stock options	87	57	30	53%
Restricted Share Units	11	7	4	57%
Total stock based compensation	98	64	34	53%

\$ 000's	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Stock based compensation				
Stock options	296	252	44	17%
Restricted Share Units	110	15	95	633%
Total stock based compensation	406	267	139	52%

The Corporation utilizes a stock option plan as part of its incentive compensation arrangements for key employees, officers and directors.

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

Stock-based Compensation Expense (continued)

The Corporation also has a Restricted Share Unit (“RSU”) Plan which is also used as part of its incentive compensation arrangements for key employees, officers and directors. The value of stock options is determined at the grant date using the Black-Scholes option pricing model. Stock options are expensed over the average vesting term of the stock option grant. RSU’s are expensed over the vesting term of the RSU grant. RSU’s granted to date have vested immediately and been redeemed for common shares immediately upon issue. The year over year increase in RSU costs is due to the Plan being new last year and having little use in the prior year.

Depreciation and Amortization

\$ 000’s	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Depreciation and amortization				
Eagle Well Servicing	1,489	1,391	98	7%
Aero Rental Services	423	213	210	98%
Total drilling & production services	1,912	1,604	308	19%
Technology services (Canada Tech)	296	309	(13)	(4%)
Corporate	60	160	(100)	(63%)
Total depreciation and amortization	2,268	2,073	195	9%

\$ 000’s	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Depreciation and amortization				
Eagle Well Servicing	4,280	4,079	201	5%
Aero Rental Services	871	639	232	36%
Total drilling & production services	5,151	4,718	433	9%
Technology services (Canada Tech)	873	921	(48)	(5%)
Corporate	238	423	(185)	(44%)
Total depreciation and amortization	6,262	6,062	200	3%

Depreciation expense for Eagle Well Servicing has increased slightly for both the current year quarter and nine month periods due to an increase in the value of assets being depreciated. The increase in depreciation and amortization expenses for Aero Rental Services is largely a result of an increase in the value of rental equipment but also reflects a one-time adjustment of \$85 thousand in the current quarter.

Corporate depreciation and amortization is lower than the prior year on both a quarterly and year to date basis due partially to loan commitment fees being fully amortized by May, 2010.

Interest Expense

\$ 000’s	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Total interest expense	308	326	(18)	(6%)

\$ 000’s	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Total interest expense	955	852	103	12%

Interest expense in the current year includes interest and loan related bank charges as well as standby fees and bank waiver fees.

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

Interest Expense (continued)

Notwithstanding the reduction in the average level of bank debt in the current year periods, increases in the interest rate under loan facilities, including increased premiums to the bank prime rate, increased standby rates and a non-recurring fee for bank consent to pay the dividend payment made during the first quarter of this year all contributed to an increase in interest costs in the current year to date period as compared to the prior year. In the prior year periods, and for the first five months of the current year, fees related to loan renewals were capitalised to intangibles with the amortization included in depreciation and amortization expense. In the current year, loan renewal fees paid in May, 2010 were recorded as prepaid expenses and deposits and are being expensed to interest expense on a straight line basis over a one year period.

(Loss)/Gain on disposal of Property and Equipment

The Corporation regularly disposes of minor non-core service property and equipment, primarily in the Drilling and Production Services segment. Disposal of such equipment often allows for the Corporation to keep its rental and service equipment newer than would otherwise be the case. In the three month period ended September 30, 2010 the Corporation had a gain on disposal of \$5 thousand as compared to a \$2 thousand gain in the prior year period. In the nine month period ended September 30, 2010 the Corporation had a gain on disposal of \$13 thousand as compared to a \$7 thousand gain in the prior year period.

Foreign exchange (gain) loss

\$ 000's	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Foreign exchange (gain) loss	(2)	168	(170)	(101%)

\$ 000's	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Foreign exchange (gain) loss	6	575	(569)	(99%)

The Corporation is exposed to fluctuations in foreign currency exchange rates, primarily the exchange rate between the Canadian dollar and the United States Dollar ("US" or "US dollar"). This exposure arises primarily in our Canada Tech business in the Technology Services segment. In the Technology segment, a majority of sales are to customers outside of Canada and denominated primarily in US dollars. Foreign exchange losses experienced during 2009 are substantially all due to changes in the Canadian to US dollar exchange rate on accounts receivable relating to sales which were denominated in US dollars. As the term to collection on such sales are typically between 60 and 90 days, the Corporation is exposed to changes in the exchange rate during that period. As this exposure to the United States dollar is continually being renewed due to new sales to customers being denominated in United States dollars, the Corporation's exposure the United States dollars for accounts receivable is continual and tends to fluctuate within a relatively predictable range. In order to mitigate this continual exposure to the United States dollar, the Corporation has converted some of its borrowings under its bank credit facilities to be denominated in United States dollars. The amount of United States dollar denominated borrowings reduces the overall net exposure to foreign currency risk and is adjusted periodically to minimize the net exposure to United States dollar fluctuations. The use of this hedging strategy, coupled with less movement in the Canadian to US Dollar exchange rate in the current year periods has reduced the amount of foreign exchange gains and losses in the current year periods.

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

Notes receivable and note receivable impairment (recovery)

The notes receivable were received as partial payment for the sale of the Oricomm and Envirocore divisions (see *Discontinued Operations*).

At December 31, 2009 and September 30, 2010 the balance for notes receivable on the balance sheet consists of one note in the principal amount of \$719 thousand. The counterparty to the note is a private company which the Corporation believes will be able to satisfy the terms of repayment. The Corporation has been receiving interest payments when due in accordance with the terms of the note. The note is secured by various assets which were sold to the counterparty to the note for a value much greater than the principal value of the note. Based on these factors, it is the Corporation's assessment the value of the note receivable is fully realizable at September 30, 2010.

Prior to September 30, 2009, the Corporation has another note receivable recorded on the balance sheet at \$1.5 million. Due to the non-payment of interest due pursuant to the terms of the note and deterioration in the financial condition of the counterparty to the note, a \$1.5 million provision for impairment of notes receivable was made in the third quarter of 2009. No further collection of interest was made and the counterparty missed a \$0.75 million principal payment which was due on March 31, 2010. On April 26, 2010 the counterparty made an application under the *Companies' Creditors Arrangement Act* ("CCAA") and received a court order appointing a monitor. On September 19, 2010, the Corporation sold the note payable and any claim for overdue interest or principal to a third party for cash consideration of \$300 thousand.

Discontinued Operations

During the fourth quarter of 2008, the Corporation decided to dispose of its safety, communication and monitoring operations (Oricomm), and its lease construction operations business (Envirocore) in order for the Corporation to focus on its core business operations. Oricomm and Envirocore consisted of certain fixed assets including field equipment, shop equipment and a data acquisition centre used in the safety, communication and monitoring operations as well as heavy equipment and field equipment used in lease construction operations. In February, 2009 the Corporation entered into a definitive agreement to sell Oricomm. The transaction closed on February 26, 2009 for cash consideration of \$3.0 million and the assumption of a note receivable of \$719 thousand. On February 26, 2009 the Corporation entered into a definitive agreement to sell Envirocore. 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. See *Notes Receivable and note receivable impairment (recovery)* for additional information.

Net earnings (loss) from discontinued operations for the three and nine months ended September 30, 2009 was (\$10) thousand and \$394 thousand respectively. There are no earnings from discontinued operations in the current year period because the operations were sold.

Income taxes

\$ 000's	Three months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Earnings (loss) before income taxes from continuing operations	624	(9,582)	10,206	(107%)
Income taxes	187	(268)	455	(170%)
Income taxes as a % of net income	30%	3%		(27%)
Expected statutory income tax rate	25%	29%		(4%)

\$ 000's	Nine months ended		Change \$	Change %
	September 30, 2010	September 30, 2009		
Earnings (loss) before income taxes from continuing operations	50	(11,490)	11,540	(100%)
Income taxes	144	(1,000)	1,144	(114%)
Income taxes as a % of net income	288%	9%		279%
Expected statutory income tax rate	25%	29%		(4%)

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

COMPARISON OF RESULTS FROM THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2010 TO THE SAME PERIODS LAST YEAR (CONTINUED)

Income taxes

The difference between the actual income tax rate and the expected income tax rate in both the current year and prior year periods is due to non-tax-deductible items, including stock based compensation and other items included which are deductible for the computation of earnings but are not deductible in computing taxable income.

Net Income

\$ 000's except share and per share amounts	Three months ended		Change \$ or number	Change %
	September 30, 2010	September 30, 2009		
Net income (loss) from continuing operations	437	(9,314)	9,751	(105%)
Net income (loss) and comprehensive income (loss)	437	(9,324)	9,761	(105%)
Net income (loss) per common share from continuing operations:				
- Basic	\$0.01	(\$0.21)	\$0.22	(106%)
- Diluted	\$0.01	(\$0.21)	\$0.22	(106%)
Weighted average common shares outstanding:				
- Basic	43,502,346	43,947,852	(445,506)	(1%)
- Diluted	43,523,763	43,947,852	(424,089)	(1%)

\$ 000's except share and per share amounts	Nine months ended		Change \$ or number	Change %
	September 30, 2010	September 30, 2009		
Net income (loss) from continuing operations	(94)	(10,490)	10,396	(99%)
Net income (loss) and comprehensive income	(94)	(10,096)	10,002	(99%)
Net loss per common share from continuing operations:				
- Basic	-	(\$0.23)	\$0.23	(100%)
- Diluted	-	(\$0.23)	\$0.23	(100%)
Weighted average common shares outstanding:				
- Basic	43,561,134	44,147,039	(585,905)	(1%)
- Diluted	43,562,125	44,147,039	(584,914)	(1%)

During the three month period ended September 30, 2009 the Corporation had a one-time write down for goodwill of \$6.9 million and for notes receivable of \$1.5 million which had the most significant impact when comparing the change in net income year over year for both the three and nine month periods ended September 30, 2010. See the sections titled *Goodwill Impairment* and *Notes Receivable Impairment* in the annual MD&A for the year ended December 31, 2009 for additional information relating to these items.

The decrease in the weighted number of shares outstanding is the result of the purchase and cancellation of common shares pursuant to the Corporation's normal course issuer bid during the current and prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

Sources of funds:

During the three months ended September 30, 2010 the Corporation financed capital expenditures with cash flow from operations and bank debt. During the nine months ended September 30, 2010 the Corporation financed capital expenditures entirely with cash flow from operations.

At September 30, 2010 the Corporation had positive working capital, excluding the current portion of long-term debt, of \$10 million.

The Corporation has a credit agreement with a syndicate of three Canadian chartered banks (the "Credit Agreement"). The Credit Agreement provides the Corporation with an extendible demand revolving operating loan credit facility ("Operating loan") and an extendible revolving term acquisition loan facility ("Acquisition loan") (together referred to as "the Facilities"). The Operating loan may be used for ongoing working capital and general corporate purposes. The Acquisition loan may be used to finance acquisitions of businesses and equipment and for general corporate purposes. The Facilities are for a 364 day committed term until May 27, 2011, the term-out date. No principal payments are required under the facilities until the term-out date which may be extended for a further 364 day period upon approval by the banks. Following the term-out date, the Operating loan is immediately due and payable and the principal outstanding on the Acquisition loan becomes payable in 24 equal monthly installments over the following two year period. Interest on both facilities is payable monthly.

The Facilities bear interest based on a sliding scale pricing grid tied to the Corporation's trailing debt to cash flow (EBITDA) ratio as defined in the Credit Agreement. The maximum borrowings permitted under the Operating loan are \$7.5 million and under the Acquisition loan are \$25 million up to an aggregate of \$32.5 million under the Facilities. Borrowings under the Operating loan are limited to a ratio based on certain accounts receivable and qualified inventory. Borrowings under the Acquisition loan are limited to 60% of the net book value of fixed assets. The Facilities have an accordion feature which provides the Corporation with an ability to increase the maximum combined borrowings under the Facilities to up to \$52.5 million, subject to the approval of the lenders.

The Facilities are secured by a general security agreement covering all of the assets of the Corporation and a security arrangement covering all assets of the Corporation. As at September 30, 2010, there was \$0.6 million drawn under the Operating loan and \$18.3 million drawn under the Acquisition loan for total borrowings of \$18.9 million.

Under the terms of the Credit Agreement, the Corporation is required to comply with certain financial covenants. As of September 30, 2010, the Corporation is in compliance with each of the financial covenants under the agreement.

Capital requirements:

At September 30, 2010 the Corporation has no material committed future capital expenditures. It is anticipated future cash requirements for capital expenditures will be met through a combination of funds generated from operations and existing bank debt facilities as required. However, additional funds may be raised by additional bank debt, other forms of debt, the sale of assets, or the issue of equity.

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 favorable 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.

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

COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS

IROC's contractual financial obligations are summarized as follows:

\$ 000's	Payments due by period				Total
	Next 12 months	Between 1 and 3 years	Between 4 and 5 years	Greater than 5 years	
Contractual obligations:					
Operating loan	628	-	-	-	628
Acquisition loan	3,049	15,245	-	-	18,294
Vehicle loans	27	51	-	-	78
Note payable	130	390	130	-	650
Operating lease payments	390	3,658	1,623	523	6,194
Total contractual obligations	4,224	19,344	1,753	523	25,844

The Corporation anticipates the annual renewal of its operating loan and long term debt facilities such that repayment in accordance with the current contractual requirements as indicated in this summary will not be required. However, there is no assurance the Corporation will be able to obtain such renewal from the Corporation's banking syndicate. Operating leases relate primarily to buildings and lands leased in operations and service vehicles used in day to day operating activities. IROC has not entered into any off-balance sheet arrangements other than operating leases.

CAPITAL EXPENDITURES

IROC's capital expenditures are as follows:

\$ 000's	Three months ended			
	September 30, 2010	September 30, 2009	Change \$ or number	Change %
Capital expenditures:				
Eagle Well Servicing	234	119	115	97%
Aero Rental Services	1,817	78	1,739	2,229%
Total drilling & production services	2,051	197	1,854	941%
Technology services	69	35	34	97%
Corporate	71	52	19	37%
Total capital expenditures	2,191	284	1,907	671%

\$ 000's	Nine months ended			
	September 30, 2010	September 30, 2009	Change \$ or number	Change %
Capital expenditures:				
Eagle Well Servicing	878	2,883	(2,005)	(70%)
Aero Rental Services	2,712	255	2,457	964%
Total drilling & production services	3,590	3,138	452	14%
Technology services	153	38	115	303%
Corporate	189	120	69	58%
Total capital expenditures	3,932	3,296	636	19%

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.

For Eagle and Canada Tech, our current capital budget relates to maintenance capital only as the Corporation intends to focus its efforts on operating the current equipment base. Management evaluates opportunities to grow on an ongoing basis and will adjust the capital program if the opportunities and conditions warrant. In the prior year nine month period we were completing the construction of two new service rigs which accounted for the significantly higher additions in Eagle Well Servicing.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURES (CONTINUED)

At Aero, we continue to add to our rental equipment when there are opportunities for accretive growth. In the current year quarter the Corporation purchased the rental assets of Trust Energy Services Corp. ("Trust") which comprised approximately \$1,200 of the current quarter's additions. The assets acquired are complementary to Aero's existing rental assets and IROC has retained Trust's manager as part of the transaction.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Corporation has financial instruments carried on the balance sheet as follows: cash equivalents (if any), accounts receivable, notes receivable, accounts payable and accrued liabilities, operating loan, note payable, and long-term debt all of which are measured at amortized cost. The fair values of the cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature; the fair value of the Corporation's bank operating loan and long-term debt approximates its carrying value due to the floating interest rate terms. The Corporation estimates the fair value of notes receivable and notes payable included in long-term debt approximate their carrying value due to the interest rate stated in the note itself or used to discount the value of the note.

The Corporation's financial instruments have exposure to credit risk, and market risk as follows:

a) Credit risk

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

Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual amount receivable.

The Corporation has one note receivable in the principal amount of \$719 thousand. The counterparty to the note is a private company which the Corporation believes will be able to satisfy the terms of repayment. The Corporation has been receiving interest payments when due in accordance with the terms of the note. The note is secured by various assets which were sold to the counterparty to the note for a value much greater than the principal value of the note. Based on these factors, it is the Corporation's assessment the value of the note receivable is fully realizable at September 30, 2010.

b) Market risk

Market risk is the risk of changes in market prices, such as commodity prices, foreign currency exchange rates, and interest rates will affect the net earnings or the value of financial instruments. The objective of managing market risk is to control market risk exposures within acceptable limits, while maximizing returns. Market risks to which the Company is subject include:

- Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Corporation is exposed to foreign currency fluctuations, primarily in accounts receivable denominated in United States dollars and bank debt. The Corporation has denominated a portion of the operating loan and long term bank debt in United States dollars to offset the net accounts receivable denominated in United States dollars. The amount of United States dollar denominated bank debt is adjusted periodically to provide an approximate offset to other exposures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

b) Market risk (continued)

- Interest rate risk

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

The Corporation is exposed to interest rate fluctuations on its operating loan and long-term debt both of which bear interest at floating market rates. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

- Commodity price risk

The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices.

The Corporation uses bank debt as a part of its capital structure, primarily to finance capital assets. The Corporation uses accounts receivable, notes receivable and payable, and accounts payable in the normal course of business for purchase and sale of goods and services.

DIVIDENDS AND OUTSTANDING SHARE DATA:

The following table summarizes outstanding share data and potentially dilutive securities as at November 22, 2010:

	November 22, 2010
Common shares	43,154,971
Stock options	2,380,746

The Corporation declared a two cent per common share dividend on January 15, 2010 which was paid on January 29, 2010.

The Board of Directors will consider the payment of a dividend twice yearly within the context of current and expected future performance, the cash needs of the business for current operations and for future growth. Having considered these factors, the Board of Directors has determined no dividend will be paid at the present time.

NORMAL COURSE ISSUER BID:

On December 23, 2009 the Corporation instituted a program to purchase its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities laws. Pursuant to the issuer bid, IROC is allowed to purchase for cancellation up to 2,174,848 of its common shares during the 12-month period commencing December 23, 2009.

The Corporation purchased and cancelled 244,500 common shares under the normal course issuer bid during the period January 1, 2010 to September 30, 2010 at an average purchase price of \$0.85 per share before commissions. Subsequent to September 30, 2010, an additional 242,500 common shares have been purchased and cancelled at an average price of \$0.91 per share before commissions. IROC believes that the purchases of its common shares at such market prices is a worthwhile investment as these prices do not properly reflect the underlying value of its assets and business. Upon cancellation of such shares in accordance with the normal course issuer bid, the holdings of the remaining shareholders represent an increased proportion of the shares outstanding and, all other things remaining equal, result in an increased net asset value per share.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTLOOK

The continued strength in the price of oil combined with the ever increasing application of horizontal drilling has provided for significant improvements in levels of activity in the Western Canadian Sedimentary Basin in the third quarter of 2010. Increased drilling activity targeting the Cardium formation in Central Alberta and ongoing completion and workover demand in heavy oil has created a situation where our service rigs are experiencing utilization levels not seen since 2006. Given the strength in the price of oil going into year end, we can reasonably expect producer activity levels to remain robust for the remainder of the winter season.

Eagle Well Servicing has developed solid relationships with active oil and gas operators across Western Canada by providing the newest equipment available, trained personnel and a competent group of managers that combine to provide value to our customers both in superior customer service and efficient operations. We are expecting continued strong utilization and improved financial performance through the winter season resulting from our customers' oil driven activities and seasonal activity increases from our northern based rigs. With all 35 service rigs fully operational and crewed at the end of September, 2010, and with a new service rig being delivered in late November or early December, we expect that the division will continue to post record hours through the fourth quarter and into the beginning of 2011. When combined with the expected stabilization in our costs and slight movement forward in our pricing, management believes this division will continue to perform well on both a standalone and relative basis with potential for year over year improvements in 2011.

Aero Rental Services, having grown both organically and with the equipment and personnel acquired from Trust Energy Services during the current quarter, has facilities and a staff of pressure control professionals capable of supporting substantially higher revenue with little increase in costs. The application of new production techniques by producers requires new types of equipment which are not readily available. Aero is actively filling this niche market and during the 2010 calendar year we have developed and patented new equipment that will save our customers substantial capital as they bring their new equipment and technologies online. This equipment is currently being utilized by a number of oil companies in both Western Canadian and Eastern Canadian resource plays. Plans are underway to build on our initial successes with this new equipment and technology, and to market it across North America in conjunction with a major oil and gas operator with worldwide operations. We will also be making presentations relating to the new equipment at technical conferences in the United States starting early in 2011. The Corporation expects Aero will become an increasingly important contributor to the financial performance of the Corporation by providing an increasing share of both revenue and cash flow over time.

Canada Tech continues to penetrate both domestic and international markets. Management has continued to work on efficiencies to reduce our fixed costs while at the same time pushing hard to extend our penetration into select markets around the world. Canada Tech has introduced new products to meet the growing demand from various oil sands applications in Canada. We currently have permanent systems installed at a number of domestic producer's oil sands wells on a pilot or trial basis. If these systems prove reliable for the harsh environments under which they are operating we have the potential for significant growth when producers decide to deploy them more widely as a normal part of their field development.

In summary, we are now optimistic the challenges the industry experienced in late 2009 and early 2010 are receding. As we move forward into the winter drilling season, IROC is well positioned to take advantage of the opportunities for growth we predict will start to emerge. We have a strong balance sheet, best in class assets across all of our business lines, and the personnel necessary to execute our business plans.

CEO AND CFO CERTIFICATIONS

Securities laws no longer require the CEO and CFO of TSX Venture Exchange listed companies such as IROC to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by IROC's certifying officers for the September 30, 2010 interim filings. The certification reflects what the Corporation considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Corporation's operations. This certification requires that the certifying officer's state:

- i. They have reviewed the interim MD&A and financial statements;

MANAGEMENT'S DISCUSSION AND ANALYSIS

CEO AND CFO CERTIFICATIONS (CONTINUED)

- ii. They have determined there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the interim MD&A and financial statements; and
- iii. That based upon their knowledge, the interim filings, together with the other financial information included in the interim filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation as of the date and for the periods presented in the filings.

CHANGES IN ACCOUNTING PRONOUNCEMENTS INCLUDING INITIAL ADOPTION

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.

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. Thus, effective, January 1, 2011, the company will be required to prepare its consolidated financial statements in accordance with IFRS, with the appropriate comparative figures for the year ended December 31, 2010.

The Corporation has started the process of assessing the Canadian GAAP and IFRS differences as well as the effects of adoption but this project is at a very preliminary stage at this time. The Corporation’s financial statements will likely be impacted by the conversion to IFRS due to certain differences between IFRS and current Canadian GAAP. The conversion to IFRS may result in impacts to the financial statements, some of which may be significant.

The impact of IFRS on the Corporation’s financial statements is not determinable at this time.

The Corporation is aware there may be impacts to the financial ratios calculated under the operating loan and long-term debt facilities as a result of the adoption of IFRS. Appropriate language to accommodate changes in these ratios due to the adoption of IFRS is included in the renewed loan facilities. The Corporation does not believe the adoption of IFRS will negatively impact the calculation of loan covenants.

Business combinations

On January 1, 2010, the Company adopted CICA Handbook section 1582 “Business Combinations”, which replaced the previous business combinations standard. Under the new section, the term “business” is more broadly defined than in the previous standard, most assets acquired and liabilities assumed are measured at fair value, any interest in an acquire owned prior to obtaining control is re-measured at fair value at the acquisition date (eliminating the need for guidance on step acquisitions), a bargain purchase results in recognition of a gain, and acquisition costs are expensed. The adoption of this standard will impact accounting treatment of business combinations entered into after January 1, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and EBITDAS per share- EBITDAS is defined as earnings before interest, taxes, depreciation and amortization, stock-based compensation expense, foreign exchange gains and losses, goodwill impairment, note receivable impairment, and gains or losses on disposal of property and equipment. EBITDAS and EBITDAS per share are not recognized measures under GAAP. The Corporation 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, the Corporation 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. EBITDAS % is calculated as EBITDAS divided by revenue.
2. Gross margin is defined as revenue less operating expenses. Gross margin % is defined as gross margin divided by revenue. The Company believes that gross margin and gross margin % are useful measures which provide an indicator of the Corporation's fundamental ability to make money on the products and services it sells. The Corporation believes the relationship between revenues and costs expressed by the gross margin % is a useful measure when compared between different financial periods as it demonstrates the trending relationship between revenues, costs and margins. Gross margin and gross margin % are not recognized measures of GAAP and do not have any standardized meaning prescribed by GAAP. IROC's method of calculating gross margin and gross margin % may differ from those of other companies, and accordingly, may not be directly comparable to measures used by other companies. Gross margin is reconciled to revenue – continuing operations in the *FINANCIAL RESULTS AND SELECTED FINANCIAL INFORMATION* table.

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

NON-GAAP MEASURES (CONTINUED)

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

\$ 000's except number of shares and per share amounts	Three months ended			
	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Net income (loss) from continuing operations	437	(1,055)	524	(395)
Depreciation and amortization	2,268	2,003	1,991	2,392
Loss (gain) on foreign exchange	(2)	(88)	97	43
Stock based compensation expense	98	129	178	74
Loss (gain) on disposal of equipment	(5)	(1)	(7)	33
Other interest	45	37	81	92
Interest on long-term debt	263	239	290	373
Interest income	(15)	(11)	(11)	(19)
Goodwill impairment	-	-	-	-
Note receivable impairment (recovery)	(300)	-	-	-
Income taxes:				
Current	-	-	-	-
Future	187	(278)	235	380
EBITDAS – continuing operations	2,976	975	3,378	2,973
EBITDAS per share				
Basic	\$0.07	\$0.02	\$0.08	\$0.07
Diluted	\$0.07	\$0.02	\$0.08	\$0.07

\$ 000's except number of shares and per share amounts	Three months ended			
	September 30, 2009	June 30, 2009	March 31, 2009	December 31, 2008
Net income (loss) from continuing operations	(9,314)	(1,260)	82	1,532
Depreciation and amortization	2,073	1,978	2,011	1,791
Loss (gain) on foreign exchange	168	354	54	(616)
Stock based compensation expense	64	92	110	67
Loss (gain) on disposal of equipment	(2)	(1)	(4)	1
Other interest	50	54	73	155
Interest on long-term debt	276	187	212	357
Interest income	(18)	(36)	(12)	-
Interest and accretion on debentures	6,850	-	-	-
Goodwill impairment	1,500	-	-	-
Note receivable impairment	-	-	-	-
Income taxes:				
Current	-	-	-	(45)
Future	(268)	(785)	54	660
EBITDAS – continuing operations	1,379	583	2,580	3,902
EBITDAS per share				
Basic	\$0.03	\$0.01	\$0.06	\$0.09
Diluted	\$0.03	\$0.01	\$0.06	\$0.09

IROC ENERGY SERVICES CORP.

Unaudited Consolidated Financial Statements

For the three and nine months ended September 30, 2010 and 2009

IROC ENERGY SERVICES CORP.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, 2010	December 31, 2009
	(\$ 000's)	(\$ 000's)
ASSETS		
CURRENT		
Cash	\$ 559	\$ 230
Accounts receivable	12,513	11,541
Inventory	3,229	3,669
Prepaid expenses and deposits	859	315
	17,160	15,755
Notes receivable (note 5)	719	719
Intangible assets (note 6)	2,698	2,854
Property and equipment (note 7)	59,463	61,074
	\$ 80,040	\$ 80,402
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 6,574	\$ 5,584
Operating loan (note 8)	628	-
Current portion of long-term debt (note 8)	3,197	5,924
	10,399	11,508
Long-term debt (note 8)	15,717	14,344
Future income taxes	3,445	3,301
	19,162	17,645
SHAREHOLDERS' EQUITY:		
Common share capital (note 9)	50,432	50,607
Contributed surplus (note 9)	4,663	4,294
Deficit	(4,616)	(3,652)
	50,479	51,249
	\$ 80,040	\$ 80,402

See accompanying notes to the consolidated financial statements.

IROC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2010 (\$ 000's)	2009 (\$ 000's)	2010 (\$ 000's)	2009 (\$ 000's)
REVENUE	\$ 16,444	\$ 10,231	\$ 43,517	\$ 33,540
EXPENSES				
Operating	11,408	6,908	29,702	22,701
General and administrative	2,060	1,944	6,486	6,296
Stock-based compensation	98	64	406	267
Note receivable impairment (recovery) (note 5)	(300)	1,500	(300)	1,500
Goodwill impairment	-	6,850	-	6,850
Depreciation and amortization	2,268	2,073	6,262	6,062
Interest on long-term debt	263	276	793	675
Other interest	45	50	162	177
Interest income	(15)	(18)	(37)	(66)
Gain on disposal of property and equipment	(5)	(2)	(13)	(7)
Foreign exchange (gain) loss	(2)	168	6	575
	\$ 15,820	\$ 19,813	\$ 43,467	\$ 45,030
Net income (loss) before income taxes from continuing operations	624	(9,582)	50	(11,490)
Income taxes				
Current				
Future	187	(268)	144	(1,000)
Net income (loss) from continuing operations	437	(9,314)	(94)	(10,490)
Net income (loss) from discontinued operations	-	(10)	-	394
Net income (loss) and comprehensive income (loss)	\$ 437	\$ (9,324)	\$ (94)	\$ (10,096)
Earnings (loss) per share from continuing operations				
Basic	\$0.01	\$(0.21)	-	\$(0.24)
Diluted	\$0.01	\$(0.21)	-	\$(0.24)
Earnings per share from discontinued operations				
Basic	-	-	-	\$0.01
Diluted	-	-	-	\$0.01
Earnings (loss) per share				
Basic	\$0.01	\$(0.21)	-	\$(0.23)
Diluted	\$0.01	\$(0.21)	-	\$(0.23)
Weighted average number of shares outstanding				
Basic	43,502,346	43,947,852	43,561,134	44,147,039
Diluted	43,523,763	43,947,852	43,561,134	44,147,039

See accompanying notes to the consolidated financial statements.

IROC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2010	2009	2010	2009
Retained earnings (deficit), beginning of period	\$ (5,053)	\$ 6,431	\$ (3,652)	\$ 8,827
Change in accounting policy for capitalization of intangible assets	-	-	-	(296)
Recast of inventory as at December 31, 2008	-	(280)	-	(280)
Retained earnings (deficit) as restated, beginning of period	(5,053)	6,151	(3,652)	8,251
Net income (loss)	437	(9,324)	(94)	(10,096)
Dividends	-	-	(870)	(1,328)
Deficit, end of period	\$ (4,616)	\$ (3,173)	\$ (4,616)	\$ (3,173)

See accompanying notes to the consolidated financial statements.

IROC ENERGY SERVICES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2010 (\$ 000'S)	2009 (\$ 000'S)	2010 (\$ 000'S)	2009 (\$ 000'S)
Cash flows from operating activities:				
Net income (loss) from continuing operations	\$ 437	\$ (9,314)	\$ (94)	\$ (10,490)
Items not affecting cash:				
Note receivable impairment (note 5)	-	1,500	-	1,500
Goodwill impairment	-	6,850	-	6,850
Depreciation and amortization	2,268	2,073	6,262	6,062
Future income taxes	187	(268)	144	(1,000)
Stock-based compensation	98	64	406	267
Gain on disposal of property and equipment	(5)	(2)	(13)	(7)
	2,985	903	6,705	3,182
Changes in non-cash working capital balances (note 10)	(1,554)	(102)	(536)	1,686
	1,431	801	6,169	4,868
Discontinued operations:				
Funds provided by discontinued operations	-	(15)	-	(166)
Changes in non-cash working capital balances of discontinued operations	-	114	-	2,365
	1,431	900	6,169	7,067
Cash flows from (used in) investing activities:				
Purchase of property and equipment - continuing operations	(2,191)	(284)	(3,932)	(3,296)
Purchase of property and equipment – discontinued operations	-	-	-	(4)
Proceeds on disposal of property and equipment - continuing operations	45	8	101	102
Proceeds on disposal of property and equipment – discontinued operations	-	-	-	6,042
Purchase of intangible assets (note 7)	(118)	-	(118)	-
Change in non-cash working capital balances (note 10)	(90)	-	526	(906)
	(2,354)	(276)	(3,423)	1,938
Cash flows used in financing activities:				
Advance (payment) of long-term debt	2,057	(408)	(1,896)	(3,232)
Operating loan advance (payment)	(477)	102	628	(3,689)
Loan commitment fees	-	-	-	(200)
Payment of dividend	-	-	(870)	(1,328)
Shares repurchased for cancellation	(146)	(318)	(212)	(556)
Non-cash accretion (note 8)	9	-	9	-
Change in non-cash working capital balances (note 10)	38	-	(76)	-
	1,481	(624)	(2,417)	(9,005)
Increase in cash during the period	558	-	329	-
Cash, beginning of period	1	1	230	1
Cash, end of period	\$ 559	\$ 1	\$ 559	\$ 1

See Supplemental Cash Flow Information (note 10)

See accompanying notes to consolidated financial statements.

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

1. Structure of Corporation:

IROC Energy Services Corp. ("IROC" or 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.

2. Basis of presentation:

These unaudited interim consolidated financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") 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, 2009. 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, 2009 contained in the Corporation's 2009 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 month periods ended September 30, 2010 and 2009.

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

3. Changes in Accounting Policies including initial adoption:

On January 1, 2010, the Company adopted CICA Handbook section 1582 "Business Combinations", which replaced the previous business combinations standard. Under the new section, the term "business" is more broadly defined than in the previous standard, most assets acquired and liabilities assumed are measured at fair value, any interest in an acquiree owned prior to obtaining control is re-measured at fair value at the acquisition date (eliminating the need for guidance on step acquisitions), a bargain purchase results in recognition of a gain, and acquisition costs are expensed. The adoption of this standard will impact accounting treatment of business combinations entered into after January 1, 2010.

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

4. 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.

5. Notes receivable:

	September 30, 2010	December 31, 2009
Note receivable, interest at 6% payable monthly. Repayment terms are interest only until February 25, 2012 upon which, the entire principal amount is due and payable. Secured by a security agreement over the former Oricomm assets sold to the issuer of the note.	\$ 719	\$ 719
Note receivable, unsecured, 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.	-	1,500
	719	2,219
Less impairment of note receivable	-	(1,500)
	\$ 719	\$ 719

The notes receivable were received as partial payment for the sale of the Oricomm and Envirocore divisions (see Discontinued Operations in the audited financial statements for the year ended December 31, 2009).

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

5. Notes receivable (continued):

Due to the non-payment of interest due pursuant to the terms of the \$1,500 note receivable and deterioration in the financial condition of the counterparty to the note, a \$1,500 provision for impairment of the note was made in the third quarter of 2009. The counterparty did not pay the \$750 principal payment which was due on March 31, 2010 and there have been no collections of interest or principal. On April 26, 2010, the counterparty made an application under the *Companies' Creditors Arrangement Act* and received a court order appointing a monitor. On September 19, 2010, the Corporation sold the note receivable for cash consideration of \$300 to an unrelated third party resulting in a recovery of \$300.

6. Intangible assets:

September 30, 2010	Cost	Accumulated amortization	Net book value
Patents and related proprietary tool designs	\$ 6,050	\$ 3,989	\$ 2,061
Customer list	418	291	127
Non-competition agreement	533	23	510
	\$ 7,001	\$ 4,303	\$ 2,698

December 31, 2009	Cost	Accumulated amortization	Net book value
Patents and related proprietary tool designs	\$ 6,050	\$ 3,379	\$ 2,671
Customer list	300	200	100
Loan commitment fees	809	726	83
	\$ 7,159	\$ 4,305	\$ 2,854

On July 16, 2010 the Corporation purchased all of the rental assets of Trust Energy Services Corp (note 7). As part of the transaction, the Corporation entered into a five year non-competition agreement with the former manager of Trust Energy Services Corp. \$533 of the purchase price has been allocated to the non-competition agreement and is being amortized on a modified straight line basis over the five year term of the agreement.

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

7. Asset acquisition

On July 16, 2010 IROC purchased all of the rental assets, rental contracts, and most of the business assets of Trust Energy Services Corp. ("Trust"). Trust is an Alberta based oilfield rental company, specializing in a complete line of coil tubing and well servicing equipment rentals. The Trust assets were acquired to complement IROC's existing rental division's assets and to expand the products and services offered.

The purchase price consisted of:

	Notional Value	Fair Value
Cash	\$ 1,379	\$ 1,379
Note payable over 5 years (see note 8)	650	533
Total consideration	\$ 2,029	\$ 1,912

The purchase price was allocated on the basis of the fair value of the assets acquired as follows:

Financial statement caption and description of asset acquired	Fair Value
Property and equipment – rental equipment	\$ 1,183
Intangibles - non competition agreement (see note 6)	533
Intangibles - existing rental contracts	118
Property and equipment – other non-rental assets	45
Prepaid expenses and deposits - consumables & supplies	33
Total fair value of assets acquired	\$ 1,912

The Trust rental location was closed and all equipment was transferred and integrated into IROC's existing rental asset inventory immediately after the purchase. The revenue and net income attributable to the assets since their acquisition on July 16, 2010 is not practically determinable as the assets acquired were integrated with IROC's rental assets and the assets acquired were never operated as a business subsequent to their acquisition. Transaction costs of \$10 are included in general and administrative expenses.

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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8. Operating Loan and Long Term Debt:

The Corporation has a credit agreement with a syndicate of three Canadian chartered banks (the "Credit Agreement"). The Credit Agreement provides the Corporation with an extendible demand revolving operating loan credit facility ("Operating loan") and an extendible revolving term acquisition loan facility ("Acquisition loan") (together referred to as "the Facilities"). The Operating loan may be used for ongoing working capital and general corporate purposes. The Acquisition loan may be used to finance acquisitions of businesses and equipment and for general corporate purposes. The Facilities are for a 364 day committed term until May 27, 2011, the term-out date. No principal payments are required under the facilities until the term-out date which may be extended for a further 364 day period upon approval by the banks. Following the term-out date, the Operating loan is immediately due and payable and the principal outstanding on the Acquisition loan becomes payable in 24 equal monthly installments over the following two year period. Interest on both facilities is payable monthly. The Corporation has the option to borrow funds denominated in either Canadian or United States dollars under both Facilities.

The Facilities bear interest based on a sliding scale pricing grid tied to the Corporation's trailing debt to cash flow (Earnings before income taxes, depreciation, amortization, and stock based compensation – "EBITDAS") ratio as defined in the Credit Agreement: from a minimum of the bank's prime rate plus 1.00% to a maximum of the bank's prime rate plus 2.75% or from a minimum of the bankers acceptances rate plus a stamping fee of 2.25% to a maximum of the bankers acceptances rate plus a stamping fee of 4.0%. Standby fees under the Facilities range between 0.45% and 0.80%. Effective October 1, 2010 the applicable rates under the agreement are: bank prime rate plus 1.75%, bankers acceptances rate plus a stamping fee of 3.0%, and stand by fee rate of 0.60%.

The maximum borrowings permitted under the Operating loan are \$7,500 and under the Acquisition loan is \$25,000 for an aggregate of \$32,500 under the Facilities. Borrowings under the Operating loan are limited to a ratio of 75% of accounts receivable outstanding less than 90 days plus 50% of qualified inventory. Borrowings under the Acquisition loan are limited to 60% of the net book value of fixed assets. The Facilities have an accordion feature which provides the Corporation with an ability to increase the maximum combined borrowings under the Facilities to up to \$52,500, subject to the approval of the lenders.

The Facilities are secured by a general security agreement covering all of the assets of the Corporation and a security arrangement covering all assets of the Corporation.

Under the terms of the Credit Agreement, the Corporation is required to comply with the following financial covenants, as defined in the Credit Agreement, on a quarterly basis: a working capital ratio of not less than 1.25 to 1.00; a ratio of total debt to capitalization (capitalization defined as total shareholders' equity, less intangible assets and goodwill plus total debt) not to exceed 50%; a debt service coverage ratio (as defined in the credit agreement) of not less than 1.50 to 1.00; and a total debt to trailing twelve month earnings before interest, income taxes, depreciation and amortization of less than 3.00 to 1.00.

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

8. Operating Loan and Long Term Debt (continued):

The following table provides additional information with respect to amounts included in the consolidated balance sheets related to long term debt:

	September 30, 2010	December 31, 2009
Acquisition loan	\$ 18,294	\$ 20,250
Note payable	542	-
Obligations under capital leases	-	18
Vehicle loans	78	-
	18,914	20,268
Less current portion of long term debt	(3,197)	(5,924)
	\$ 15,717	\$ 14,344

As at September 30, 2010, \$1,544 (December 31, 2009 - \$nil) of the borrowings under the Acquisition Loan were denominated in United States dollars. The Corporation was in compliance with all covenants at September 30, 2010 and December 31, 2009.

The note payable was issued as partial purchase consideration for the acquisition of certain rental assets (see note 7). The note is non-interest bearing, payable over five years by annual payments of \$130 commencing July 16, 2011, and has been recorded at fair value using a discount rate of 7%. Accretion of \$9 is included in interest expense for the three and nine months ended September 30, 2010.

Vehicle loans are repayable in monthly installments totaling \$2 plus interest at zero percent and are secured by the specific vehicles financed.

9. Share capital:

(a) Authorized:

Unlimited number of voting common shares without nominal or par value

(b) Issued:

	Number	Amount
Balance at December 31, 2009	43,496,971	\$ 50,607
Issued on redemption of restricted share units	145,000	110
Purchased and cancelled under normal course issuer bid	(244,500)	(285)
Balance at September 30, 2010	43,397,471	\$ 50,432

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For the three and nine month periods ended September 30, 2010 and 2009

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9. Share capital (continued):

(c) Stock option plan:

The Corporation has a stock option plan which allows the Corporation to issue options to purchase common shares for up to ten percent of the outstanding common shares at prevailing market prices on the date of the option grant. The Corporation has granted stock options to directors, officers and key employees. Stock options vest over three years from the date of grant as employees or directors render continuous service to the Corporation and have a maximum term of five years. The following table summarizes changes in the number of common shares under option during the nine month period ending September 30, 2010:

	Number of options	Weighted average exercise price
Balance, December 31, 2009	2,304,123	\$ 1.31
Granted	716,623	\$ 0.69
Expired	(115,000)	\$ 2.77
Forfeited - vested	(316,664)	\$ 1.83
Forfeited - unvested	(168,336)	\$ 0.73
Balance, September 30, 2010	2,420,746	\$ 1.03
Options exercisable	898,863	\$ 1.63

The fair value of common shares options is estimated as at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2010
Risk free interest rate (%)	2.39%
Expected life (years)	5
Expected volatility (%)	120 %
Expected dividend per share	-

The weighted average fair value of the options issued during the nine month period ending September 30, 2010 was \$0.59. For the three months ended September 30, 2010, stock-based compensation expense relating to stock options totaled \$87 (2009 - \$57). For the nine months ended September 30, 2010, stock-based compensation expense relating to stock options totaled \$296 (2009 - \$252).

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NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

9. Share capital (continued):

(d) Contributed surplus:

The following table summarizes information regarding contributed surplus:

	Amount
Balance at December 31, 2009	\$ 4,294
Stock based compensation - stock options	296
Cancellation of common shares purchased under normal course issuer bid	73
Balance at September 30, 2010	\$ 4,663

(e) Earnings per share:

The following table reconciles the common shares used in computing earnings per share for the periods ending:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Weighted average common shares outstanding – basic	43,502,346	43,947,852	43,561,134	44,147,039
Weighted average common shares outstanding – diluted	43,523,763	43,947,852	43,562,125	44,147,039

Outstanding stock options are currently the only instruments which could potentially dilute earnings per share. For the three month period ended September 30, 2010, 2,420,746 stock options (September 30, 2009 – 2,060,373) were not included in the computation of net income per common share because to do so would be anti-dilutive. For the nine month period ended September 30, 2010, 2,345,746 stock options (September 30, 2009 – 2,060,373) were not included in the computation of net income per common share because to do so would be anti-dilutive.

IROC ENERGY SERVICES CORP.

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9. Share capital (continued):

(f) Restricted Share Unit Bonus Plan:

The Corporation has a restricted share unit bonus plan (the "RSU Plan"). The RSU Plan is designed to provide incentive bonus compensation to directors, officers, employees and consultants.

During the nine month period ended September 30, 2010, the Corporation granted 145,000 restricted share units. The restricted share units vested immediately - resulting in the issue of 145,000 shares. There were no proceeds on the issue of the restricted share units or common shares. The common shares issued were valued at the weighted average trading price of the Corporation's common shares on the TSX Venture Exchange in the five day period immediately preceding issue.

All RSU's issued to date have vested immediately and were redeemed upon issue for common shares issued from treasury. There were no RSU's outstanding at September 30, 2010 or December 31, 2009. For the three months ended September 30, 2010, stock-based compensation expense relating to RSU's totaled \$11 (2009 - \$7). For the nine months ended September 30, 2010, stock-based compensation expense relating to RSU's totaled \$110 (2009 - \$15).

10. Supplemental cash flow information:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Interest paid	\$ 308	\$ 326	\$ 955	\$ 852
Change in non-cash working capital items from continuing operations:				
Accounts receivable	\$ (2,720)	\$ (75)	\$ (971)	\$ 4,755
Inventory	439	(172)	440	(448)
Prepaid expenses	(370)	48	(468)	(54)
Accounts payable and accrued liabilities - trade	1,097	97	463	(2,567)
	\$ (1,554)	\$ (102)	\$ (536)	\$ 1,686
Change in non-cash working capital items from investing activities:				
Accounts payable – Capital Assets	\$ (90)	-	\$ 526	\$ (906)
Change in non-cash working capital items from financing activities:				
Prepaid expenses	\$ 38	-	\$ (76)	-

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11. Segmented information:

As at September 30, 2010 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.

\$ thousands	Drilling and Production Services	Technology Services	Corporate	Total
For the three months ended September 30, 2010				
Revenue	14,042	2,402	-	16,444
Depreciation and amortization	1,912	296	60	2,268
Interest on long-term debt	9	-	254	263
Interest on operating loan and other interest	-	-	45	45
Net earnings (loss) – continuing operations	1,998	(510)	(1,051)	437
Capital expenditures	2,051	69	71	2,191

\$ thousands	Drilling and Production Services	Technology Services	Corporate	Total
For the three months ended September 30, 2009				
Revenue	8,179	2,052	-	10,231
Depreciation and amortization	1,604	309	160	2,073
Interest on long-term debt	-	-	276	276
Interest on operating loan and other interest	-	-	50	50
Net earnings (loss) – continuing operations	724	(7,311)	(2,727)	(9,314)
Capital expenditures	197	35	52	284

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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

11. Segmented information (continued):

\$ thousands	Drilling and Production Services	Technology Services	Corporate	Total
For the nine months ended September 30, 2010				
Revenue	35,085	8,432	-	43,517
Depreciation and amortization	5,151	873	238	6,262
Interest on long-term debt	9	-	784	793
Interest on operating loan and other Interest	-	-	162	162
Net earnings (loss) – continuing operations	3,800	110	(4,004)	(94)

\$ thousands	Drilling and Production Services	Technology Services	Corporate	Total
For the nine months ended September 30, 2009				
Revenue	26,234	7,306	-	33,540
Depreciation and amortization	4,718	921	423	6,062
Interest on long-term debt	-	-	675	675
Interest on operating loan and other interest	-	-	177	177
Net earnings (loss) – continuing operations	2,253	(7,969)	(4,774)	(10,490)

\$ thousands	Drilling and Production Services	Technology Services	Corporate	Total
September 30, 2010				
Intangible assets	635	2,063	-	2,698
Property and equipment	57,247	1,359	857	59,463
Capital expenditures	3,590	153	189	3,932
Total assets – continuing operations	68,327	9,341	2,372	80,040

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine month periods ended September 30, 2010 and 2009

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11. Segmented information (continued):

\$ thousands	Drilling and Production		Technology Services	Corporate	Total
	Services	Services			
September 30, 2009					
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 – continuing operations	66,825	11,374	1,773		79,972

In the Technology segment, approximately \$1,349 or 56% of sales during the three month period ended September 30, 2010 (2009 - \$1,815 or 88%) were from customers outside of Canada. In the Technology segment, approximately \$5,224 or 62% of sales during the nine month period ended September 30, 2010 (2009 - \$5,943 or 81%) were from customers outside of Canada.

During the nine months ended September 30, 2010, revenue from one customer aggregated \$5,557 or 13% of total revenue.

12. Financial instruments and financial risk management:

The Corporation has designated its financial instruments as follows: cash equivalents (if any) are classified as held to maturity investments and measured at amortized cost, accounts receivable and notes receivable are classified as loans and receivables which are measured at amortized cost; accounts payable and accrued liabilities, the operating loan and long-term debt are classified as other financial liabilities which are also measured at amortized cost; the fair values of the cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature; the fair value of the Corporation's bank operating loan and long-term debt approximates its carrying value due to the floating interest rate terms. The Corporation estimates the fair value of notes receivable and notes payable included in long-term debt approximate their carrying value. The Corporation did not have any financial instruments designated as held for trading or available for sale outstanding at September 30, 2010.

The Corporation has exposure to credit risk, liquidity risk and market risk as follows:

a) Credit risk

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

IROC ENERGY SERVICES CORP.

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

a) Credit risk (continued)

Accounts receivable includes balances from a large number of customers primarily operating in the oil and gas industry. The Corporation assesses the credit worthiness of its customers on an ongoing basis as well as monitoring the amount and age of balances outstanding. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Corporation accounts for a specific bad debt provision when management considers that the expected recovery is less than the actual amount receivable.

The Corporation's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Corporation views the credit risk on these amounts as normal for the industry.

At September 30, 2010, approximately 86% of the Corporation's trade accounts receivable from continuing operations is less than 90 days overdue. As at September 30, 2010, the Corporation has made a provision for doubtful accounts receivable in the amount of \$222 representing approximately 2% of its total trade accounts receivable from continuing operations.

The following table, details the age of the outstanding trade accounts receivable and the related allowance for doubtful accounts:

	September 30, 2010	December 31, 2009
Trade accounts receivable:		
1 to 30 days overdue	\$ 6,743	\$ 4,355
31 to 60 days overdue	3,005	3,976
61 to 90 days overdue	421	944
>90 days overdue	1,613	1,561
Allowance for doubtful accounts	(222)	(138)
Accruals and other accounts receivable	953	843
	\$ 12,513	\$ 11,541

The Corporation has one note receivable in the principal amount of \$719 (see note 5). The counterparty to the note is a private company which the Corporation believes will be able to satisfy the terms of repayment. The Corporation has been receiving interest payments when due in accordance with the terms of the note. The note is secured by various assets which were sold to the counterparty to the note for a value much greater than the principal value of the note. Based on these factors, it is the Corporation's assessment the value of the note receivable is fully realizable at September 30, 2010.

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

b) Liquidity risk

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

The Corporation has an operating loan which has a maximum available balance of the lesser of 75% of its trade accounts receivable or \$7,500. At September 30, 2010, \$628 was drawn under the operating loan. Additionally, the Corporation has a long term debt facility with additional availability (see note 8).

The following table summarizes contractual maturities for non-derivative financial instruments:

\$ thousands	Less than or equal to 3 months	Greater than 3 months and less than or equal to 1 year	Between 2 and 3 years	Greater than 3 years
Accounts payable and accrued liabilities	6,574	-	-	-
Operating loan	-	628	-	-
Long term debt	7	3,199	15,556	260
	6,581	3,827	15,556	260

c) Market risk

Market risk is the risk of changes in market prices, such as commodity prices, foreign currency exchange rates, and interest rates will affect the net earnings or the value of financial instruments. The objective of managing market risk is to control market risk exposures within acceptable limits, while maximizing returns. Market risks to which the Company is subject include:

- Foreign currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates.

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

c) Market risk (continued)

- Foreign currency risk (continued)

The Corporation is exposed to foreign currency fluctuations, primarily in the Technology Services segment where a substantial percentage of sales are to international customers and denominated in United States dollars (see note 11). The foreign currency risk is somewhat mitigated with a natural hedge in that certain input costs to manufacture products sold in the Technology Services segment are procured from suppliers in the United States with transactions denominated in United States dollars. The foreign currency risks are further mitigated through attempts to collect and pay foreign currency denominated balances in a timely fashion and to maintain very little excess cash in United States dollar bank accounts. During 2010, the Corporation started to denominate a portion of the operating loan and long term bank debt in United States dollars to offset the net accounts receivable denominated in United States dollars. The amount of United States dollar denominated bank debt is adjusted periodically to provide an approximate offset to other exposures. At September 30, 2010, the Corporation had United States dollar denominated cash of \$305 (September 30, 2009 - \$nil), accounts receivable of \$1,104 (September 30, 2009 - \$1,877), accounts payable of \$20 (September 30, 2009 - \$89) and bank debt of \$1,544 (September 30, 2009 - \$nil) for a net exposure of (\$155) (September 30, 2009 - \$1,788). A hypothetical strengthening/weakening of the U.S. dollar against the Canadian dollar by 1% would have increased/decreased net earnings from continuing operations before income taxes for the nine month period ended September 30, 2010 by \$2 (September 30, 2009 - \$18).

- Interest rate risk

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

The Corporation is exposed to interest rate fluctuations on its operating loan and long-term debt both of which bear interest at floating market rates. For the nine months ended September 30, 2010, if the prime interest rate increased/decreased by 1%, with all other variables held constant, net earnings would have been \$151 lower/higher (nine months ended September 30, 2009 - \$163). The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the Corporation's exposure to interest rate fluctuations.

- Commodity price risk

The Corporation is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices could have a material impact on cash flows of the Corporation's customers and could therefore affect the demand for our products or services from these customers. However, given that this is an indirect influence, the financial impact for the Corporation of changing oil and natural gas prices is not reasonably determinable.

IROC ENERGY SERVICES CORP.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

d) Capital disclosures:

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

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

The Corporation monitors capital using a key financial metric of debt-to-capitalization, which is not a recognized measure under GAAP and, therefore, is unlikely to be comparable to similar measures of other companies. For the purpose of this calculation, debt includes operating loans, current portion of long-term debt, and long-term debt, and capitalization is calculated as the total debt, as described above, and shareholders' equity less goodwill and intangible assets. The Corporation's strategy is to maintain this ratio within the limit of its financial covenants on its credit facilities which requires the ratio to not exceed 0.50. The Corporation may be required to increase this from time to time as a result of expansion activities. The Corporation was in compliance with all externally imposed capital requirements as at September 30, 2010.

There has been no change in how the Corporation manages capital during the three and nine month periods ended September 30, 2010.

The debt-to-capitalization ratios at September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010	December 31, 2009
Debt	\$ 19,542	\$ 20,268
Equity (net of intangible assets and goodwill)	47,781	48,395
Capitalization	67,323	68,663
Debt-to-capitalization ratio	0.29	0.30

DIRECTORS

Brian D. Neeland
Director and Chairman
of the Board

Thomas M. Alford
Director

William Austin
Director

Newton (Trey) Wilson, III
Director

Brad Fedora
Director

OFFICERS

Thomas M. Alford
President and Chief
Executive Officer

Ryan A Michaluk, CA, CMA
Chief Financial Officer

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

Principal Bank

National Bank of Canada
Calgary, Alberta

Auditors

Deloitte & Touche LLP
Calgary, Alberta

Legal Counsel

McCarthy Tétrault LLP
Barristers & Solicitors
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Transfer Agent

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2010 THIRD QUARTER REPORT



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