IRONHORSE
OIL & GAS INC.

Third Quarterly Report

September 2005

HIGHLIGHTS				
	Three months ended September 30,		Nine months ended September 30,	
	2005	2004	**2005**	2004
Production:				
Gas (thousand cubic feet per day)	**70**	76	**72**	69
Oil and NGLs (barrels per day)	**11**	13	**11**	12
Boe (barrels oil equivalent per day)	**22**	27	**23**	24
Revenue ($)	**130,896**	112,989	**356,136**	292,951
Cash flow from operations ($)	**78,614**	59,907	**161,784**	97,081
Net income (loss) ($)	**4,841**	21,529	**44,431**	(9,768)
Per diluted share amounts ($/share):				
Cash flow from operations	**$0.01**	$0.01	**$0.01**	$0.01
Net income (loss)	**–**	–	**–**	–
Weighted average number of shares outstanding:				
Basic	**14,871,558**	8,871,558	**10,915,514**	8,871,558
Diluted	**15,780,621**	9,011,206	**11,591,133**	8,990,467

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the Company's financial statements and related notes for the quarter ended September 30, 2005, the quarter ended June 30, 2005, the quarter ended March 31, 2005 and the Company's audited financial statements for the period ended December 31, 2004. The calculation of barrels of oil equivalent ("boe") is based on a relative energy content conversion ratio of six thousand cubic feet ("mcf") of natural gas to one barrel of oil. Production volumes reported are the Company's interest before royalties.

This discussion and analysis may contain forward-looking information. Actual future results may differ materially from expectations presented herein.

Non-GAAP Measures

The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles (GAAP) except for the term "cash flow from operations". Cash flow from operations has been presented for information purposes only and should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with GAAP. The determination of the Company's cash flow from operations may not be comparable to the same reported by other companies. Cash flow from operations refers to net income before non-cash charges from the statement of operations plus non-cash expenses and excluding the change in non-cash operating working capital and abandonment costs incurred for the period. Cash flow from operations per share was calculated using the same weighted average shares outstanding used in calculating net income per share.

Business Environment

World and Canadian crude oil prices increased significantly in the current quarter. Pricing for West Texas Intermediate crude oil increased 19% over the previous quarter and 44% over the third quarter of 2004. Pricing for Edmonton Light crude oil increased 16% over the previous quarter and 37% over the third quarter of 2004. Canadian natural gas prices also increased dramatically in the current quarter with AECO hub prices rising by 27% over the previous quarter and 51% over the third quarter of 2004. Both commodities are at historically high price levels.

	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04	Q1 '04	Q4 '03
West Texas Intermediate for crude oil (US$/bbl)	$63.18	$53.18	$49.44	$48.35	$43.93	$38.74	$35.12	$31.12
Edmonton posted reference for crude oil (C$/bbl)	76.81	66.09	61.58	58.52	56.04	50.85	45.67	40.03
AECO-C for natural gas (C$/mcf)	9.38	7.37	6.90	6.73	6.22	7.00	6.43	5.83

Operations

The Company produces petroleum and natural gas from Boundary Lake and Lochend in Alberta. The Company acquired these properties in June of 2003. In June of 2005, the Company acquired a working interest in property located in the prolific high-deliverability oil fields at Pembina in Alberta. This area is in the pre-production stage and did not produce in the third quarter of 2005.

Selected Quarterly Operating Data

	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04	Q1 '04	Q4 '03
Crude oil and natural gas liquids production (barrels)	969	1,024	1,006	992	1,182	1,147	983	1,005
Natural gas production (mcf)	6,460	6,630	6,545	6,097	7,036	5,363	6,445	6,635
Barrels of oil equivalent (boe)	2,046	2,129	2,097	2,008	2,355	2,041	2,057	2,111
Per day (boe per day)	22	23	23	22	26	22	23	23
Price per barrel ($/barrel)	$69.36	$62.25	$57.32	$54.00	$53.25	$45.08	$45.26	$33.55
Price per mcf ($/mcf)	9.86	8.23	7.53	7.05	7.11	7.03	7.15	5.99
Price per boe ($/boe)	63.98	55.56	51.00	48.09	47.98	43.82	44.02	34.81
Royalty rate	23.3%	26.3%	27.0%	22.9%	20.1%	26.2%	27.0%	37.3%
Operating costs per boe	$13.98	$9.43	$7.54	$7.79	$8.19	$6.04	$7.13	$3.91
General and admin per boe	9.14	15.70	8.25	13.57	5.17	17.42	16.60	16.58
Revenue	$130,896	$118,293	$106,947	$96,573	$112,989	$89,396	$90,566	$73,474
Operating netback	71,757	67,133	62,250	58,852	71,036	53,604	51,413	37,851
Cash flow from operations	78,614	36,403	46,767	33,200	59,907	18,856	18,318	2,851
Net income (loss)	4,841	14,325	25,265	13,452	21,529	(14,989)	(16,308)	32,758
Net income per share	–	–	–	–	–	–	–	–
Weighted avg. shares (000s)	14,872	8,937	8,872	8,872	8,872	8,872	8,872	8,872

Record operating netbacks were recorded in the third quarter of 2005. The primary reason for the Company's continued positive cash flow is extremely stable production from its properties at Boundary Lake and Lochend coupled with strong prices in recent periods. Prices for petroleum and natural gas in the current quarter resulted in record revenue for the Company for the second quarter in a row, up 11% from the previous quarter and up 16% from the third quarter of 2004.

Operations (continued)

Operating costs were high in the current quarter compared to the second quarter due primarily to property taxes charged in the current quarter and also to increased transportation and oil treating charges at the Company's Lochend property. Repairs and maintenance charges at the Company's Lochend property continued at approximately the same level as incurred in the second quarter. Operating costs are expected to be lower in the fourth quarter.

Development of the Pembina Nisku prospect is not expected to impact production in 2005, but is anticipated to significantly increase the Company's production, revenue and cash flow in the 2006 calendar year.

Overhead

General and administration costs in the quarter dropped from approximately $33,400 in the second quarter to $18,691 in the current quarter. The Company's management and technical services are performed through an agreement with Grizzly Resources Ltd., a company related by virtue of common management, and the Company is charged fees for the services. These fees amounted to just under $10,000 in the current quarter.

The current quarter statement of operations and deficit includes a charge for stock-based compensation, a non-cash charge, of $61,173, an increase from the comparative quarter from 2004. The increased charge relates to the higher number of options outstanding in the current quarter. The Company has no debt outstanding and has not recorded any interest expense for the past two years.

Depletion, Depreciation and Amortization

	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04	Q1 '04	Q4 '03
Depletion and depreciation	10,836	11,410	11,237	10,790	23,608	18,900	20,800	23,442
Asset retirement expense	1,764	(707)	2,224	1,534	2,942	3,117	3,832	1,655
Depletion and depreciation per boe	5.30	5.36	5.36	5.37	10.02	9.26	10.11	11.10
Actual abandonment costs incurred	1,613	22	4,929	839	–	–	–	–

Depletion is calculated on the Company's costs pertaining to the Boundary Lake and Lochend producing properties. Costs incurred relating to the Company's Pembina prospect have been excluded from the calculation as the Pembina area has not yet started production. The Company's depletion rate was significantly lowered in the fourth quarter of 2004, when it recorded a significant and positive revision to its crude oil and natural gas reserves. The Company continues to see the production with a low decline consistent with its assessment at the end of the year.

The actual abandonment costs incurred shown above are related to the reclamation of a non-producing well in its Boundary Lake operating area. The associated well had ceased production prior to the Company's acquisition of properties in the area.

Capital Expenditures

($000s)	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04	Q1 '04	Q4 '03
Acquisition	$104	$2,527	–	–	–	–	–	–
Drilling	102	–	–	–	–	–	–	–
Facilities	–	1	–	–	–	–	–	–
Total	$206	$2,528	–	–	–	–	–	–

At the end of the second quarter, the Company acquired a significant land position amidst the prolific Pembina Nisku trend. This acquisition, approximated $2.5 million for land and seismic, dominated the Company's capital expenditures this year. In the current quarter, the Company added additional land in its Pembina area, acquiring an 18.75% interest in 640 acres. The Company holds working interests of 6.94% to 18.75% on 8,000 acres of prospective acreage at Pembina.

The Company began drilling its first location in Pembina just prior to the completion of the quarter. The Company holds a 12.5% working interest in this well. This first and highest risk location in the Company's Pembina acreage was targeting natural gas in the Nisku. The drilling continued into the fourth quarter and subsequent to the quarter end, the well was evaluated as non-commercial. The drilling rig engaged has since moved to the Company's next location where the Company is targeting oil.

The Company plans to spend approximately $7 million in drilling and related facilities for 16 wells on its acreage at Pembina over the next two years.

Taxation

The Company has not recognized the tax asset associated with its unused non-capital losses and unused resource tax pools available for deduction in calculating taxable income in future periods. More than offsetting this future tax asset is a future tax liability related to the flow-through shares issued the current year that also has not yet been recognized. The net future tax liabilities will be recognized in the fourth quarter of the current year. The Company has unused non-capital losses of approximately $730,000, with expiries spanning 2005 to 2009, plus resource tax pools available of approximately $3.5 million.

Liquidity and Capital Resources

The Company raised gross proceeds of $6.4 million through the issuance of 6 million shares in a private placement that closed on June 29, 2005. Proceeds from the issue are being used to finance the acquisition and development of the Company's interest in acreage in the Nisku trend at Pembina in Alberta. In addition, the Company has been generating positive cash flow from its operations. The Company currently has over $4.0 million of positive working capital and estimates that it has sufficient resources to follow through on its plan to complete its participation in the development of its most significant asset at Pembina. No further financing is anticipated for these projects as cash flow from the earlier phases will assist the Company to complete the latter stages.

Outlook

The Company is currently developing its Pembina prospect and has plans to drill 16 wells on its acreage over the next two years. The development will be completed in three phases. The first phase, named West Pembina, is currently underway and includes the drilling of four wells. The Company has between 6.94% and 12.50% in this phase. Drilling for these wells is anticipated to be completed by the first quarter of 2006. The second phase, named Violet Grove, is anticipated to commence in the second half of 2006 or sooner and the Company's third phase, named Greater Mishow Creek, is anticipated to follow Violet Grove. The Company has a working interest of 18.75% throughout the second and third phases. The entire program includes 16 wells and will cost approximately $7 million, net to the Company, over the next two years. The opportunity acquired at Pembina gives the Company a very significant development program that is expected to sizably and significantly expand the Company's current operations with production increasing by 600 to 1,500 boe per day by the end of 2007. Facilities in the area have adequate capacity to carry the Company's and its partner's anticipated new production.

No further financing is anticipated to complete these projects as cash flow from the earlier phases will assist the Company to complete the latter stages.

The Company's management will continue to pursue further development opportunities both within Pembina and in other areas with a view to further create shareholder value.

Dated: November 21, 2005

IRONHORSE OIL & GAS INC.
Balance Sheet

	September 30 2005	December 31 2004
	(unaudited)	
ASSETS		
Current Assets:		
Cash	**$ 4,234,736**	$ 396,871
Accounts receivable	**55,104**	34,541
Prepaid expenses	**16,841**	4,969
	4,306,681	436,381
Property, plant and equipment (note 1)	**3,032,628**	332,249
	$ 7,339,309	$ 768,630
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 168,818**	$ 45,286
Asset retirement obligation (note 2)	**105,868**	109,151
	274,686	154,437
Shareholders' equity:		
Share capital (note 4)	**10,495,584**	4,170,174
Contributed surplus (note 4)	**121,663**	41,074
Deficit	**(3,552,624)**	(3,597,055)
	7,064,623	614,193
	$ 7,339,309	$ 768,630

IRONHORSE OIL & GAS INC.

Statement of Operations and Deficit
For the Period Ended September 30, 2005
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2005	2004	**2005**	2004
Revenue	**$ 130,896**	$ 112,989	**$ 356,136**	$ 292,251
Royalties	**(30,540)**	(22,662)	**(90,496)**	(70,612)
	100,356	90,327	**265,640**	222,339
Other income	**25,548**	1,051	**30,064**	2,914
	125,904	91,378	**295,704**	225,253
Expenses				
Operations	**28,599**	19,291	**64,500**	46,286
General and administration	**18,691**	12,180	**69,440**	81,886
Stock-based compensation	**61,173**	11,828	**80,589**	33,650
Depletion and amortization	**12,600**	26,550	**36,764**	73,199
	121,063	69,849	**251,273**	235,021
Net income (loss) for the period	**4,841**	21,529	**44,431**	(9,768)
Deficit, beginning of period	**(3,557,465)**	(3,632,036)	**(3,597,055)**	(3,600,739)
Deficit, end of period	**$ (3,552,624)**	$ (3,610,507)	**$(3,552,624)**	$ (3,610,507)
Net income (loss) per share				
Basic	**$ –**	$ 0.002	**$ 0.004**	$ (0.001)
Diluted	**$ –**	$ 0.002	**$ 0.004**	$ (0.001)

IRONHORSE OIL & GAS INC.
Statement of Cash Flows
For the Period Ended September 30, 2005
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2005	2004	**2005**	2004
Operations				
Net income (loss) for the period	**$ 4,841**	$ 21,529	**$ 44,431**	$ (9,768)
Add items not affecting cash				
Depletion and amortization	**12,600**	26,550	**36,764**	73,199
Stock-based compensation	**61,173**	11,828	**80,589**	33,650
Cash flow from operations	**78,614**	59,907	**161,784**	97,081
Abandonment costs incurred	**(1,613)**	–	**(6,564)**	–
Changes in non-cash working capital	**(9,976)**	31,351	**(10,819)**	15,966
	67,025	91,258	**144,401**	113,047
Financing				
Issuance of common shares, net of costs	**–**	–	**6,325,410**	–
Investing				
Capital expenditures	**(205,579)**	–	**(2,733,862)**	–
Changes in non-cash working capital	**101,916**	–	**101,916**	–
	(103,663)	–	**(2,631,946)**	–
Increase (decrease) in cash during the period	**(36,638)**	91,258	**3,837,865**	113,047
Cash, beginning of period	**4,271,374**	265,085	**396,871**	243,296
Cash, end of period	**$ 4,234,736**	$ 356,343	**$ 4,234,736**	$ 356,343
Cash flow from operations per share				
Basic	**$ 0.01**	$ 0.01	**$ 0.01**	$ 0.01
Diluted	**$ –**	$ 0.01	**$ 0.01**	$ 0.01

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
September 30, 2005
(unaudited)

These financial statements have been prepared by management and have not been audited or otherwise reviewed by an external auditor and should be read in conjunction with the Company's financial statements for the quarter ended September 30, 2005 and the Company's audited annual financial statements for the year ended December 31, 2004.

1. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2005			December 31, 2004
	Cost	**Accumulated Depletion and Amortization**	**Net**	Net
Petroleum and natural gas properties	**$ 3,182,190**	**$ 149,562**	**$ 3,032,628**	$ 332,249

The Company has capitalized $27,730 of interest to its petroleum and natural gas property costs at September 30, 2005 (December 31, 2004 – nil) relating to its acquisition of undeveloped land and seismic in one of the Company's operating areas. The Company has not capitalized any general and administrative costs since its inception.

The cost of unproved properties excluded from depletion at September 30, 2005 was $2,733,103 (December 31, 2004 – nil).

2. ASSET RETIREMENT OBLIGATION

	Three months ended September 30		**Nine months ended September 30**	
	2005	2004	**2005**	2004
Asset retirement obligation, beginning of period	**$ 105,717**	$ 105,514	**$ 109,151**	$ 98,565
Expenditures made on asset retirements	**(1,613)**	–	**(6,564)**	–
Revisions	**381**	1,453	**(1,409)**	4,966
Changes in present value during period	**1,383**	1,489	**4,690**	4,925
Asset retirement obligation, end of period	**$ 105,868**	$ 108,456	**$ 105,868**	$ 108,456

The total undiscounted amount of cash flows required to settle the obligations as measured at September 30, 2005 is estimated at $152,400 (December 31, 2004 – $160,300). These obligations are expected to be settled at various times over the 15 years subsequent to September 30, 2005. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 8% during the quarter and nine months ended September 30, 2005 (quarter and nine months ended September 30, 2004 – 8%) and the estimated inflation rate used to project future costs was 1.5% (September 30, 2004 – 1.5%).

3. INCOME TAXES

The Company has non-capital losses and unused resource tax pools available for deduction in calculating taxable income in future periods. Although in aggregate these balances amount to approximately $4.2 million and are in excess of the capitalized cost recognized in the financial statements, the Company has not recognized a future income tax asset in the financial statements. Approximately $730,000 of this amount relates to non-capital losses which expire in the years 2005 to 2009.

4. SHARE CAPITAL

(a) Common shares

	Three months ended September 30		Nine months ended September 30	
	2005	2004	**2005**	2004
Amounts:				
Balance, beginning of period	**$ 10,495,584**	$ 4,170,174	**$ 4,170,174**	$ 4,170,174
Issued during period	**–**	–	**6,325,410**	–
Balance, end of period	**$ 10,495,584**	$ 4,170,174	**$10,495,584**	$ 4,170,174
Number:				
Balance, beginning of period	**14,871,558**	8,871,558	**8,871,558**	8,871,558
Issued during period	**–**	–	**6,000,000**	–
Balance, end of period	**14,871,558**	8,871,558	**14,871,558**	8,871,558
Held in escrow, end of period	**6,679,049**	1,351,049	**6,679,049**	1,351,049

The Company issued 6,000,000 shares in a private placement that closed in the second quarter on June 29, 2005, consisting of 4,000,000 shares issued at a price of $1.00 per share and 2,000,000 shares issued on a flow-through basis at a price of $1.20 per share for gross proceeds of $6,400,000. Costs of $74,590 were incurred in the selling of the shares. The share issue was subject to escrow until November 1, 2005. In addition, the Company is holding 672,000 common shares in escrow with equal amounts being released from escrow on February 5, 2006 and August 5, 2006. A third amount in escrow, consisting of 7,049 shares is subject to release upon approval by regulatory authorities.

4. SHARE CAPITAL (continued)

(b) Stock options

	Three months ended September 30		Nine months ended September 30	
	2005	2004	**2005**	2004
Number:				
Balance, beginning of period	**863,500**	660,000	**580,000**	460,000
Issued during period	**615,000**	–	**898,500**	200,000
Balance, end of period	**1,478,500**	660,000	**1,478,500**	660,000
Weighted average exercise price, end of period	**0.88**	0.27	**0.88**	0.27
Vested, end of period	**193,333**	–	**193,333**	–

(c) Contributed surplus

The Company's stock option plan permits the granting of options to a maximum of 10% of the outstanding common shares. Stock options vest over a period of three years and expire five years from the grant date. Pursuant to the Company's accounting policy, the Company records stock option grants as a compensation charge over the vesting period pertaining to the stock option grant and offsets contributed surplus.

	Three months ended September 30		Nine months ended September 30	
	2005	2004	**2005**	2004
Balance, beginning of period	**$ 60,490**	$ 21,822	**$ 41,074**	$ –
Stock-based compensation charged during period	**61,173**	11,828	**80,589**	33,650
Balance, end of period	**$ 121,663**	$ 33,650	**$ 121,663**	$ 33,650

5. RELATED PARTY TRANSACTIONS

The Company is subject to an administrative services contract with Grizzly Resources Ltd., a company related by virtue of common management. Grizzly Resources Ltd. is also a significant partner in the Company's newest operating area at Pembina. These transactions are in the normal course of business and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

	Three months ended September 30		Six months ended September 30	
	2005	2004	**2005**	2004
Administrative services contract	**$ 9,746**	$ 11,291	**$ 16,176**	$ 11,291

BOARD AND MANAGEMENT

Directors

Larry J. Parks, Chairman
Blaine C. Favel
Jeff Lawson
Gerry C. Quinn
James K. Wilson

Officers

Larry J. Parks, President & CEO
Alan G. Withey, VP Finance & CFO
D. Craig Boland, VP Exploration
William G. Manley, VP Engineering & Operations
James K. Wilson, Corporate Secretary

Suite 1000, 324 – 8th Avenue S.W., Calgary, Alberta T2P 2Z2 Phone: (403) 355-3620
Website: www.ihorse.ca Email: ir@ihorse.ca