



Annual Information Form

For the Year Ended December 31, 2006

April 25, 2007

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ABBREVIATIONS

Oil and Natural Gas Liquids

Bbls	Barrels
Mbbls	Thousand barrels
BOPD	barrels of oil per day
Bbls/d	barrels of oil per day
MMbbls	million barrels
NGLs	natural gas liquids
API	American Petroleum Institute

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Bcf	billion cubic feet
Mcf/d	thousand cubic feet per day
MMcf/d	million cubic feet per day
m ³	cubic metres
MMBTU	million British Thermal Units
GJ	trillion joules

Other

BOE	barrel of oil equivalent (on the basis of 6 Mcf of natural gas for 1 Bbl of crude oil)
BOE/d	barrel of oil equivalent per day
MBOE	thousand BOE
ARTC	Alberta Royalty Tax Credit
M\$	thousands of dollars
MM\$	millions of dollars

CONVERSIONS

<u>To Convert From</u>	<u>To</u>	<u>Multiply By</u>
Mcf	cubic metres ("m ³ ")	28.174
thousand cubic metres	Mcf	35.494
Bbls	cubic metres	0.159
cubic metres	Bbls	6.290
feet	metres	0.305
metres	feet	3.281
miles	kilometres	1.609
kilometres	miles	0.621
acres	hectares	0.405
hectares	acres	2.471
kilometres	miles	0.621
acres (Alberta and Saskatchewan)	hectares	0.400
hectares (Alberta and Saskatchewan)	acres	2.500
acres (British Columbia)	hectares	0.405
hectares (British Columbia)	acres	2.471

FORWARD LOOKING STATEMENTS

Certain statements contained in this Annual Information Form and in certain documents incorporated by reference into this Annual Information Form, constitute forward-looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form, as the case may be. The Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required pursuant to applicable securities laws.

In particular, this Annual Information Form and the documents incorporated by reference contain forward-looking statements pertaining to the following:

- the quantity of reserves;
- oil and natural gas production levels;
- capital expenditure programs;
- projections of market prices and costs;
- supply and demand for oil and natural gas;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development; and
- treatment under government regulatory and taxation regimes.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- volatility in market prices for oil and natural gas;
- liabilities and risks inherent in oil and natural gas operations;
- uncertainties associated with estimating reserves;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisition; and
- geological, technical, drilling and processing problems.

CERTAIN DEFINITIONS

In this Annual Information Form, the following words and phrases have the following meanings, unless the context otherwise requires:

"COGE Handbook" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum;

"Common Shares" means the voting common shares in the capital of the Corporation;

"Corporation", **"Ironhorse"**, **"we"**, **"us"** or **"our"** means Ironhorse Oil & Gas Inc.;

"GLJ" means GLJ Petroleum Consultants;

"GLJ Report" means the report of GLJ dated April 17, 2007, evaluating the crude oil, natural liquids and natural gas reserves of the Corporation as at December 31, 2006;

"Gross" means:

- (a) in relation to the Corporation's interest in production and reserves, the Corporation's interest (operating and non-operating) share before deduction of royalties and without including any royalty interest of the Corporation;
- (b) in relation to wells, the total number of wells in which the Corporation has an interest; and
- (c) in relation to properties, the total area of properties in which the Corporation has an interest.

"natural gas" means the lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions are essentially gases but which may contain natural gas liquids. Natural can exist in a reservoir either dissolved in crude oil (solution gas) or in a gaseous phase (associated gas or non-associated gas). Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen;

"natural gas liquids" or **"NGLs"** means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

"Net" means:

- a) in relation to the Corporation's interest in production and reserves, the Corporation's interest (operating and non-operating) share after deduction of royalties obligations, plus the Corporation's royalty interest in production or reserves.
- b) in relation to wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and
- c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

"NI 51-101" means National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities;

"production" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

"property" includes:

- a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;
- b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and
- c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer);

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

"TSXV" means the TSX Venture Exchange Inc.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

THE CORPORATION

Name, Address and Incorporation

Ironhorse Oil & Gas Inc. ("**Ironhorse**" or the "**Corporation**") was incorporated under the predecessor legislation to the *Business Corporation Act* (British Columbia) on September 18, 1972 under the name Keywest Resources Ltd.

On June 19, 1984, the Corporation changed its name to K.W. Resources Ltd. On September 5, 1984, the British Columbia Securities Commission approved the Corporation's prospectus and commenced the Corporation's listing on the Vancouver Stock Exchange.

On November 22, 1990, the Corporation consolidated its outstanding Common Shares on a four (4) to one (1) basis and changed its name to Consolidated K.W. Resources Ltd. The Corporation further changed its name to Tako Resources Ltd. in 1992.

On December 12, 1997, the Corporation further consolidated its outstanding Common Shares on a seven (7) to one (1) basis and further changed its name to Consolidated Tako Resources Ltd.

On December 1, 1999, the Corporation further consolidated its outstanding Common Shares on a 3.8 to one (1) basis. On the same day, the Corporation's name was changed to International Tako Industries Inc.

The Corporation continued into Alberta from British Columbia pursuant to the provisions of the *Business Corporations Act* (Alberta) (the "**ABCA**") in November of 2002.

On June 27, 2003, the Corporation acquired its first oil and gas properties, commencing its oil and gas operations in Alberta.

On May 13, 2004, the Corporation changed its name to Ironhorse Oil & Gas Inc.

Ironhorse's head and registered office is located at 1000, 324 - 8th Avenue SW, Calgary, Alberta T2P 2Z2.

Intercorporate Relationships

Ironhorse does not have any subsidiaries as at December 31, 2006.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

The following is a description of the development of the business of the Corporation over the last three completed financial years:

In the year ended December 31, 2004, the Corporation continued to hold its working interests in certain oil and gas properties located at Boundary Lake and Lochend in Alberta, which properties were originally acquired from Archean Oil & Gas Ltd. in 2003.

In the year ended December 31, 2005, the Corporation raised \$6.4 million through the issuance of 6 million Common Shares and expanded its oil and gas operations into the Pembina area of Alberta, a new undeveloped area, where the Corporation acquired 1,120 net acres on 8,000 acres of undeveloped land targeting Nisku oil. The Corporation's Pembina development will be conducted in three phases and the Corporation has working interests in the area ranging from 6.9% to 18.75%. The Corporation drilled one dry well and one water injection well in the first phase in the year ended December 31, 2006.

In the year ended December 31, 2006, the Corporation raised \$5.1 million through the issuance of 2.1 million Common Shares and expanded into Shackleton, Saskatchewan, a new undeveloped area, where the Corporation acquired 3,280 net acres on 6,560

acres of undeveloped land targeting Milk River natural gas. The Shackleton development consists of a multi-year development program with 41 initial drilling locations and a constructed gas plant plus gathering system. The Corporation owns a 50% working interest in all of the wells and facilities in the area. In 2006, the Corporation drilled 8 wells and brought 7 of these wells on production in May of 2006. The eighth well was brought on production subsequent to the year-end. The Corporation also drilled one dry well at Pembina during the year.

DESCRIPTION OF THE BUSINESS AND OPERATIONS

General

The Corporation is engaged in the exploration for and development and production of crude oil and natural gas in western Canada. The Corporation's products include light crude oil, natural gas and natural gas liquids.

The majority of the Corporation's production is sold to aggregators. The Corporation entered into a collar contract to sell 625 gigajoules (GJs) per day for the period of November 1, 2006 to March 31, 2007 at the market price, subject to a floor of \$8.00 per GJ and a ceiling of \$11.10 per GJ. As the market price in the months of November and December 2006 were below \$8.00 per GJ, the Corporation received \$36,318 due to the market price shortfall on the contracted production levels.

Strategy

The Corporation's strategic direction is influenced by a focus on oil and gas prospects that offer significant return on investment potential for the associated risk and cost and while maintaining a low cost overhead. To date, the Corporation has engaged capital expenditures for its initial acquisition, plus a land expansion and subsequent drilling on the Corporation's Pembina acreage and an acquisition, drilling and facility development on the Corporation's Shackleton acreage. The Corporation continues to evaluate potential opportunities for expansion that will enhance value per share provided to its shareholders.

Joint Ventures

All of Ironhorse's operations involve joint ventures with other industry partners. The Corporation's fields in Boundary Lake, Lochend and Pembina, all in Alberta, and in Shackleton, Saskatchewan, are carried out through joint ventures with mid-sized to large Canadian independent oil and gas companies.

Competitive Conditions

The petroleum industry is highly competitive at all levels. The Corporation competes with other companies for all its business inputs including exploration and development prospects, access to commodity markets and available capital. The Corporation strives to be competitive by maintaining a strong financial condition and by utilizing existing relationships, and rapid response periods to enhance its access to exploration, development and operational opportunities. The Corporation recognizes that there are other participants in the industry with greater capital resources. The Corporation seeks to utilize its size and flexibility to provide its shareholders with profitable joint venture relationships and access to the technical and industry expertise of other companies. For further information regarding competitive conditions, please refer to "Risk Factors - Competition" below.

Economic Dependence

In 2006, the Corporation produced over 90% of its production from its Shackleton acreage, located in Saskatchewan. The Corporation relies on the continued performance of this area to contribute to its operational success.

Safety and Environment Protection

The Corporation has made a firm commitment to the safety of its staff and contractors and to the public, and to the protection of the environment in its operations. The Corporation tailors its operational efforts to safely engage resource extraction, with sensitivity to the environment and the needs of the communities in which it operates. The commitment

to safety is for the protection of the Corporation's staff, its contractors and the residents in proximity to the Corporation's oil and natural gas properties. Federal, provincial and local governments have enacted laws concerning the discharge of materials into the environment and otherwise relating to environmental protection. It is the responsibility of all of the Corporation's personnel to ensure that all operations are conducted in accordance with corporate policies that meet or exceed occupational health and safety laws and regulations. The Corporation's operations comply in all material respects with all applicable regulations. Ironhorse is committed to maintaining this standard of operations.

Human Resources

At December 31, 2006, the Corporation had no full time employees (December 31, 2005 — none). The Corporation's management provides sufficient time as considered necessary to carry out the duties and responsibilities of the Corporation and to provide the Corporation with the technical and operational expertise required by an oil and gas company.

RISK FACTORS

An investment in the Corporation should be considered highly speculative due to the nature of its involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves as well as the present stage of the Corporation's development. An investor should carefully consider the risk factors set out below. In addition, investors should carefully review and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Corporation depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Corporation may have at any particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Corporation will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of oil and natural gas will be discovered or acquired by the Corporation.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Corporation may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Corporation. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks insurable. Although the Corporation maintains liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect

upon its financial condition. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation makes acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired business may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Corporation.

Operational Dependence

Other companies operate some of the assets in which the Corporation has an interest. As a result, the Corporation will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on assets operated by others will therefore depend upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

The Corporation will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;

- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Corporation could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Competition

The oil and natural gas industry within the Western Canadian Sedimentary Basin is competitive in all its phases. Ironhorse competes with numerous other oil and gas companies in the search for, and the acquisition of, oil and natural gas properties and in the marketing of oil and natural gas. Ironhorse's competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of Ironhorse. The Corporation's ability to increase its reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire other suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include pricing, methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources. Ironhorse views its competitive position as being equivalent to that of other oil and gas issuers of comparable size and at a similar stage of development.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government, which may be amended from time to time. See "Industry Conditions". Governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. At this time the Alberta Government is in the process of examining the royalty and tax regime applicable to oil, gas and oil sands – see "Industry Conditions – Provincial Royalties and Incentives". The implementation of new regulations or the modification of existing regulations affecting the oil and natural gas industry could reduce demand for natural gas and crude oil and increase the Corporation's costs, any of which may have a material adverse effect on the Corporation's intended business, financial condition and results of operations. In order to conduct oil and gas operations, the Corporation will require licenses from various governmental authorities. There can be no assurance that the Corporation will be able to obtain all of the licenses and permits that may be required to conduct the operations that it may wish to undertake.

Kyoto Protocol

Canada is a signatory to the United Nations Framework Convention on Climate Change and has ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nationwide emissions of carbon dioxide, methane, nitrous oxide and other so called "greenhouse gases". The Corporation's exploration and production facilities and other operations and activities emit greenhouse gases which will likely subject the Corporation to possible future legislation regulating emissions of greenhouse gases. The Government of Canada has proposed a Bill, which suggests further legislation will set greenhouse gases emission reduction requirements for various industrial activities, including oil and gas exploration and production. Future federal legislation, together with provincial emission reduction requirements, such as those included in Alberta's Climate Change and Emissions Management Act (partially in force), may require the reduction of emissions (or emissions intensity) produced by the Corporation's expected operations and facilities. The direct or indirect costs of these regulations may adversely affect the expected business of the Corporation. See "Industry Conditions – Environmental Regulation".

Environmental

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of federal, provincial and local laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach of applicable environmental legislation may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and

enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Corporation to incur costs to remedy such discharge. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects. There has been much public debate with respect to Canada's ability to meet these targets and the Government's strategy or alternative strategies with respect to climate change and the control of greenhouse gases. Implementation of strategies for reducing greenhouse gases whether to meet the limits required by the Kyoto Protocol or as otherwise determined, could have a material impact on the nature of oil and natural gas operations, including those of the Corporation. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict either the nature of those requirements or the impact on the Corporation and its operations and financial condition. See "Industry Conditions – Environmental Regulation".

Prices, Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by numerous factors beyond its control. The Corporation's ability to market its natural gas may depend upon its ability to acquire space on pipelines that deliver natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing and storage facilities and operational problems affecting such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

The Corporation's revenues, profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Corporation's ability to borrow and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions, in the United States and Canada, the actions of the Organization of Petroleum Exporting Countries, governmental regulation, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and gas would have an adverse effect on the Corporation's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations.

The exchange rate between the Canadian and U.S. dollar also affects the profitability of the Corporation and the Canadian dollar has strengthened recently against the U.S. dollar.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Corporation will in part be determined by the Corporation's borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of the Corporation's bank debt be repaid.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If the Corporation's revenues or reserves decline, it may not have access to the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Additional Funding Requirements

The Corporation's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, the Corporation may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's revenues from its reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its reserves or to maintain its production. If the Corporation's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available, on favourable terms acceptable to the Corporation.

Issuance of Debt

From time to time the Corporation may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Corporation's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time the Corporation may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar; however, if the Canadian dollar declines in value compared to the United States dollar, the Corporation will not benefit from the fluctuating exchange rate.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators.

Title to Assets

Although title reviews may be conducted prior to the purchase of oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the Corporation's claim which could result in a reduction of the revenue received by the Corporation.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth herein are estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Recovery factors and drainage areas were estimated by experience and analogy to similar producing pools. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

In accordance with applicable securities laws, GLJ has used both constant and forecast prices and costs in estimating the reserves and future net cash flows as summarized in this Annual Information Form. Actual future net cash flows will be affected by other factors, such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs.

Actual production and cash flows derived from the Corporation's oil and gas reserves will vary from the estimates contained in the reserve evaluation, and such variations could be material. The reserve evaluation is based in part on the assumed success of activities the Corporation intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the reserve evaluation will be reduced to the extent that such activities do not achieve the level of success assumed in the reserve evaluation. The reserve evaluation is effective as of a specific effective date and has not been updated and thus does not reflect changes in the Corporation's reserves since that date.

Insurance

The Corporation's involvement in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although the Corporation maintains insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability and may not be sufficient to cover the full extent of such liabilities. In addition, such risks are not, in all circumstances, insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of any uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of the Corporation's net production revenue.

In addition, the Corporation's oil and natural gas properties, wells and facilities could be subject to a terrorist attack. If any of the Corporation's properties, wells or facilities are the subject of terrorist attack it could have a material adverse effect on the Corporation. The Corporation will not have insurance to protect against the risk from terrorism.

Dilution

The Corporation may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Corporation which may be dilutive.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

The Corporation's properties are held in the form of licences and leases and working interests in licences and leases. If the Corporation or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Corporation's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Corporation's results of operations and business.

Dividends

The Corporation has not paid any dividends on its outstanding shares. Payment of dividends in the future will be dependent on, among other things, the cash flow, results of operations and financial condition of the Corporation, the need for funds to finance ongoing operations and other business considerations as the board of directors of the Corporation considers relevant.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Corporation is not aware that any claims have been made in respect of its properties and assets; however, if a claim arose and was successful this could have an adverse effect on the Corporation and its operations.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Corporation.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Conflicts of Interest

The directors or officers of the Corporation may also be directors or officers of other oil and gas companies or otherwise involved in natural resource exploration and development and situations may arise where they are in a conflict of interest with the Corporation. Conflicts of interest, if any, which arise will be subject to and governed by procedures prescribed by the ABCA which require a director or officer of a corporation who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Corporation disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Reliance on Key Personnel

The Corporation's success depends in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. Ironhorse does not have key person insurance in effect for management. The contributions of the existing management team to the immediate and near term operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation.

INDUSTRY CONDITIONS

The oil and natural gas industry is subject to extensive controls and regulations governing its operations (including land tenure, exploration, development, production, refining, transportation, and marketing) imposed by legislation enacted by various levels of government and with respect to pricing and taxation of oil and natural gas by agreements among the governments of Canada, Alberta, British Columbia, and Saskatchewan, all of which should be carefully considered by investors in the oil and gas industry. It is not expected that any of these controls or regulations will affect the Corporation's operations in a manner materially different than they would affect other oil and gas companies of similar size. All current legislation is a matter of public record and the Corporation is unable to predict what additional legislation or amendments may be enacted. Outlined below are some of the principal aspects of legislation, regulations and agreements governing the oil and gas industry.

Pricing and Marketing Oil and Natural Gas

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products, the supply/demand balance, and other contractual terms. Oil exporters are also entitled to enter into export contracts with terms not exceeding one year in the case of light crude oil and two years in the case of heavy crude oil, provided that an order approving such export has been obtained from the National Energy Board of Canada (the "NEB"). Any oil export to be made pursuant to a contract of longer duration (to a maximum of 25 years) requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The price of natural gas is determined by negotiation between buyers and sellers. Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices and other terms with purchasers, provided that the export contracts must continue to meet certain other criteria prescribed by the NEB and the Government of Canada. Natural gas exports for a term of less than 2 years or for a term of 2 to 20 years (in quantities of not more than 30,000 m³/day), must be made pursuant to an NEB order. Any natural gas export to be made pursuant to a contract of longer duration (to a maximum of 25 years) or a larger quantity requires an exporter to obtain an export licence from the NEB and the issuance of such licence requires the approval of the Governor in Council.

The governments of Alberta, and Saskatchewan also regulate the volume of natural gas that may be removed from those provinces for consumption elsewhere based on such factors as reserve availability, transportation arrangements, and market considerations.

Pipeline Capacity

Although pipeline expansions are ongoing, the lack of firm pipeline capacity continues to affect the oil and natural gas industry and limit the ability to produce and to market natural gas production. In addition, the pro-rationing of capacity on the inter-provincial pipeline systems also continues to affect the ability to export oil and natural gas.

The North American Free Trade Agreement

The North American Free Trade Agreement ("NAFTA") among the governments of Canada, United States of America, and Mexico became effective on January 1, 1994. NAFTA carries forward most of the material energy terms that are contained in the Canada United States Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports of energy resources to the United States or Mexico will be allowed, provided that any export

restrictions do not: (i) reduce the proportion of energy resources exported relative to domestic use (based upon the proportion prevailing in the most recent 36 month period); (ii) impose an export price higher than the domestic price subject to an exception with respect to certain voluntary measures which only restrict the volume of exports; and (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum or maximum export or import price requirements, provided, in the case of export price requirements, prohibition in any circumstances in which any other form of quantitative restriction is prohibited, and in the case of import-price requirements, such requirements do not apply with respect to enforcement of countervailing and anti-dumping orders and undertakings.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector by 2010 and prohibits discriminatory border restrictions and export taxes. NAFTA also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements and avoid undue interference with pricing, marketing and distribution arrangements, which is important for Canadian natural gas exports.

Provincial Royalties and Incentives

General

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquids, sulphur, and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee, although production from such lands is subject to certain provincial taxes and royalties. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time to time, carved out of the working interest owner's interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profits interests, or net carried interests.

Occasionally the governments of the western Canadian provinces create incentive programs for exploration and development. Such programs often provide for royalty rate reductions, royalty holidays, and tax credits, and are generally introduced when commodity prices are low. The programs are designed to encourage exploration and development activity by improving earnings and cash flow within the industry. Royalty holidays and reductions would reduce the amount of Crown royalties paid by oil and gas producers to the provincial governments and would increase the net income and funds from operations of such producers. However, the trend in recent years has been for provincial governments to eliminate, amend or allow such incentive programs to expire without renewal, and consequently few such incentive programs are currently operative.

On March 3, 2003 the Department of Finance (Canada) released a technical paper entitled "Improving the Income Taxation of the Resource Sector in Canada" (the "Technical Paper"). In November, 2003 the Tax Act was amended to provide the following initiatives applicable to the oil and gas industry (to a maximum of \$2,000,000) to be phased in over a five year period: (i) a reduction of the federal statutory corporate income tax rate on income earned from resource activities from 28% to 21%, beginning with a one percentage point reduction effective January 1, 2003, and (ii) a deduction for federal income tax purposes of actual provincial and other Crown royalties and mining taxes paid and the elimination of the 25% resource allowance.

Alberta

In Alberta, companies are granted the right to explore, produce and develop petroleum and natural gas resources in exchange for royalties, bonus bid payments and rents. Currently, the amount of royalties that are payable is influenced by the oil production, diversity of the oil, and the vintage of the oil. Originally, the vintage classified oil in "new oil" and "old oil" depending on when the oil pools were discovered. If prior to March 31, 1974 is considered "old oil", if after March 31, 1974 and before September 1, 1992, is considered "new oil". The Alberta government introduced in 1992 a Third Tier Royalty with a base rate of 10% and a rate cap of 25% for oil pools discovered after September 1, 1992. The new oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 30%. The old oil royalty reserved to the Crown has a base rate of 10% and a rate cap of 35%.

The royalty reserved to the Crown in respect of natural gas production, subject to various incentives, is between 15% and 30%, in the case of new natural gas, and between 15% and 35%, in the case of old natural gas, depending upon a prescribed or

corporate average reference price. Natural gas produced from qualifying intervals in eligible gas wells spudded or deepened to a depth below 2,500 metres is also subject to a royalty exemption, the amount of which depends on the depth of the well.

Oil sands projects are subject to a specific regulation made effective July 1, 1997, and expiring June 30, 2007, which, among other things, determines the Crown's share of crude and processed oil sands products.

Regulations made pursuant to the *Mines and Minerals Act* (Alberta) provided various incentives for exploring and developing oil reserves in Alberta. However, the Alberta Government announced in August of 2006 that four royalty programs were to be amended, a new program was to be introduced and the Alberta Royalty Tax Credit Program ("**ARTC**") was to be eliminated, effective January 1, 2007. The programs affected by this announcement are: (i) Deep Gas Royalty Holiday; (ii) Low Productivity Well Royalty Reduction; (iii) Reactivated Well Royalty Exemption; and (iv) Horizontal Re-Entry Royalty Reduction. The program being introduced is the Innovative Energy Technologies Program (the "**IETP**") which is intended to promote the producers' investment in research, technology and innovation for the purposes of improving environmental performance whilst creating commercial value. The IETP provides royalty reductions which are presumed to reduce financial risk. Alberta Energy will be the one to decide which projects qualify and the level of support that will be provided. The deadline for the IETP's third round of applications is May 31, 2007.

On February 16, 2007, the Alberta Government announced that a review of the province's royalty and tax regime (including income tax and freehold mineral rights tax) pertaining to oil, gas and oil sands will be conducted by a panel of experts, with the assistance of individual Albertans and key stakeholders. The purpose of this process is to ensure that Albertans are receiving a fair share from energy development through royalties, taxes and fees. The issues to be reviewed during this examination process are: (i) undertaking a comparison of Alberta's royalty system to other oil and gas producing jurisdictions, taking into account investment economics and industry returns and risks in Alberta; (ii) whether Alberta's royalty system is sufficiently sensitive to market conditions; (iii) whether the current revenue minus cost system for oil sands royalties is optimal; (iv) which programs built into the existing royalty system should be retained or strengthened, and which should be adapted or eliminated; (v) how the tax treatment of the oil and gas sector compares to other sectors and jurisdictions; (vi) the economic and fiscal impacts of any possible changes to the royalty and corporate tax structures; and (vii) how existing resource development should be treated if changes are to be made to the fiscal regime. The review panel is to produce a final report that will be presented to the Minister of Finance by August, 31, 2007.

Saskatchewan

In Saskatchewan, the amount payable as a royalty in respect of oil depends on the vintage of the oil, the type of oil, the quantity of oil produced in a month, and the value of the oil. For Crown royalty and freehold production tax purposes, crude oil is considered "heavy oil", "southwest designated oil", or "non-heavy oil other than southwest designated oil". The conventional royalty and production tax classifications ("fourth tier oil" introduced October 1, 2002, "third tier oil", "new oil", or "old oil") of oil production are applicable to each of the three crude oil types. The Crown royalty and freehold production tax structure for crude oil is price sensitive and varies between the base royalty rates of 5% for all "fourth tier oil" to 20% for "old oil". Marginal royalty rates are 30% for all "fourth tier oil" to 45% for "old oil".

The amount payable as a royalty in respect of natural gas is determined by a sliding scale based on a reference price (which is the greater of the amount obtained by the producer and a prescribed minimum price), the quantity produced in a given month, the type of natural gas, and the vintage of the natural gas. As an incentive for the production and marketing of natural gas which may have been flared, the royalty rate on natural gas produced in association with oil is less than on non-associated natural gas. The royalty and production tax classifications of gas production are "fourth tier gas" introduced October 1, 2002, "third tier gas", "new gas", and "old gas". The Crown royalty and freehold production tax for gas is price sensitive and varies between the base royalty rate of 5% for "fourth tier gas" and 20% for "old gas". The marginal royalty rates are between 30% for "fourth tier gas" and 45% for "old gas".

On October 1, 2002, the following changes were made to the royalty and tax regime in Saskatchewan:

A new Crown royalty and freehold production tax regime applicable to associated natural gas (gas produced from oil wells) that is gathered for use or sale. The royalty/tax will be payable on associated natural gas produced from an oil well that exceeds approximately 65 thousand cubic meters in a month.

A modified system of incentive volumes and maximum royalty/tax rates applicable to the initial production from oil wells and gas wells with a finished drilling date on or after October 1, 2002, was introduced. The incentive volumes are applicable to various well types and are subject to a maximum royalty rate of 2.5% and a freehold production tax rate of zero per cent.

The elimination of the re entry and short section horizontal oil well royalty/tax categories. All horizontal oil wells with a finished drilling date on or after October 1, 2002, will receive the "fourth tier" royalty/ tax rates and new incentive volumes.

In 1975 the Government of Saskatchewan introduced a Royalty Tax Rebate ("**RTR**") as a response to the federal government disallowing crown royalties and similar taxes to be deducted as a business expense for income tax purposes. As of January 1, 2007 the RTR will be allowed to wind down since the federal government had the initiative to reintroduce the full deduction of provincial resource royalties from federal and provincial income tax.

Land Tenure

Crude oil and natural gas located in the western provinces is owned predominantly by the respective provincial governments. Provincial governments grant rights to explore for and produce oil and natural gas pursuant to leases, licences, and permits for varying terms from two years, and on conditions set forth in provincial legislation including requirements to perform specific work or make payments. Oil and natural gas located in such provinces can also be privately owned and rights to explore for and produce such oil and natural gas are granted by lease on such terms and conditions as may be negotiated.

Environmental Regulation

The oil and natural gas industry is currently subject to environmental regulations pursuant to a variety of provincial and federal legislation. Such legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of material fines and penalties.

Environmental legislation in the Province of Alberta has been consolidated into the *Environmental Protection and Enhancement Act* (Alberta) (the "**EPEA**"), which came into force on September 1, 1993, and the *Oil and Gas Conservation Act* (Alberta) (the "**OGCA**"). The EPEA and OGCA impose stricter environmental standards, require more stringent compliance, reporting and monitoring obligations, and significantly increased penalties. In 2006, the Alberta Government enacted regulations pursuant to the EPEA to specifically target sulphur oxide and nitrous oxide emissions from industrial operations including the oil and gas industry. No additional expenses are foreseen that are associated with complying with the new regulations. The Corporation will be committed to meeting its responsibilities to protect the environment wherever it operates and anticipates making increased expenditures of both a capital and an expense nature as a result of the increasingly stringent laws relating to the protection of the environment, and will be taking such steps as required to ensure compliance with the EPEA and similar legislation in other jurisdictions in which it operates. The Corporation believes that it will be in material compliance with applicable environmental laws and regulations. The Corporation also believes that it is reasonably likely that the trend towards stricter standards in environmental legislation and regulation will continue.

In December, 2002, the Government of Canada ratified the Kyoto Protocol ("**Protocol**"). The Protocol calls for Canada to reduce its greenhouse gas emissions to 6% below 1990 "business-as-usual" levels between 2008 and 2012. Given revised estimates of Canada's normal emissions levels, this target translates into an approximately 40% gross reduction in Canada's current emissions. It remains uncertain whether the Kyoto target of 6% below 1990 emission levels will be enforced in Canada. The Federal Government has introduced legislation aimed at reducing greenhouse gas emissions using a "intensity based" approach, the specifics of which have yet to be determined. Bill C-288, which is intended to ensure that Canada meets its global climate change obligations under the Kyoto Protocol, was passed by the House of Commons on February 14, 2007.

Trends

There are a number of trends that have been developing in the oil and gas industry during the past several years that appear to be shaping the near future of the business.

The first trend is the volatility of commodity prices. Natural gas is a commodity influenced by factors within North America. A tight supply-demand balance for natural gas causes significant elasticity in pricing, whereas higher than average storage levels tend to depress natural gas pricing. Drilling activity, weather, fuel switching and demand for electrical generation are all factors that affect the supply-demand balance. Changes to any of these or other factors create price volatility.

Crude oil is influenced by the world economy, Organization of the Petroleum Exporting Countries' ability to adjust supply to world demand and weather. Crude oil prices have been kept high by political events causing disruptions in the supply of oil and concern over potential supply disruptions triggered by unrest in the Middle East and more recently have been impacted by weather and increased storage levels. Political events trigger large fluctuations in price levels.

The impact on the oil and gas industry from commodity price volatility is significant. During periods of high prices, producers generate sufficient cash flows to conduct active exploration programs without external capital. Increased commodity prices frequently translate into very busy periods for service suppliers triggering premium costs for their services. Purchasing land and properties similarly increase in price during these periods. During low commodity price periods, acquisition costs drop, as do internally generated funds to spend on exploration and development activities. With decreased demand, the prices charged by the various service suppliers also decline.

A second trend within the Canadian oil and gas industry is the fairly consistent "renewal" of private and small junior oil and gas companies starting up business. These companies often have experienced management teams from previous industry organizations that have disappeared as a part of the ongoing industry consolidation. Many are able to raise capital and recruit well qualified personnel. The Corporation will have to compete with these companies and others to attract qualified personnel.

A third trend currently affecting the oil and gas industry is the impact on capital markets caused by investor uncertainty in the North American economy. The capital market volatility in Canada has also been affected by uncertainties surrounding the economic impact that the Protocol, and other environmental initiatives, will have on the sector and, in more recent times, by the October 31, 2006 proposals of the Federal government of Canada (the "**October 31, 2006 Proposals**") relating to income trusts and other "specified investment flow-through" entities ("**SIFTs**"). Pursuant to the existing provisions of the *Income Tax Act* (Canada), to the extent that a SIFT has any income for a taxation year after certain inclusions and deductions, the SIFT will be permitted to deduct all amounts of income which are paid or become payable by it to unitholders in the year. Under the October 31, 2006 Proposals, SIFTs will be liable for tax at a rate consistent with the taxes currently imposed on corporations commencing in January 2011, provided that the SIFT experiences only "normal growth" and no "undue expansion" before then, in which case the tax could be imposed prior to the January 2011 deadline. Although the October 31, 2006 Proposals will not affect the method in which the Corporation will be taxed, they may have an impact on the ability of a SIFT to purchase producing assets from junior oil and gas companies (as well as the price that a SIFT is willing to pay for such an acquisition) thereby affecting exploration and production companies' ability to be sold to a SIFT which has been a key "exit strategy" in recent years for small to mid-sized oil and gas companies. This may be a benefit for the Corporation as it will compete with SIFTs for the acquisition of oil and gas properties from junior producers. However, it may also limit the Corporation's ability to sell producing properties or pursue an exit strategy.

Generally during the past year, the economic recovery combined with increased commodity prices has caused an increase in new equity financings in the oil and gas industry, although the level of same was negatively impacted by the October 31, 2006 Proposals. The Corporation will compete with numerous new companies and their new management teams and development plans in its access to capital. The competitive nature of the oil and gas industry will cause opportunities for equity financings to be selective. The Corporation may have to rely on internally generated funds to conduct their exploration and developmental programs.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below (the "Statement") is dated as follows. The effective date of the Statement is December 31, 2006 and the preparation date of the Statement is April 25, 2007.

Disclosure of Reserves Data

The reserves data set forth below (the "**Reserves Data**") is based upon an evaluation by GLJ with an effective date of December 31, 2006 contained in the GLJ Report dated April 17, 2007. The Reserves Data summarizes the crude oil, natural gas liquids and natural gas reserves of the Corporation and the net present values of future net revenue for these reserves using constant prices and costs and forecast prices and costs. The GLJ Report has been prepared in accordance with the standards contained in the COGE Handbook and the reserve definitions contained in NI 51-101. The Corporation engaged GLJ to provide an evaluation of proved and proved plus probable reserves and no attempt was made to evaluate possible reserves. Also, no attempt was made to evaluate the Corporation's Pembina area.

All of the Corporation's reserves are located in Canada and, specifically, in the provinces of Alberta and Saskatchewan.

The Report of Management and Directors on Oil and Gas Disclosure and the Report on Reserves Data by the independent qualified reserves evaluator are attached hereto as Appendix "A" and "B", respectively.

Disclosure provided herein in respect of Boes may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf equals 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the constant prices and costs assumptions and forecast prices and costs assumptions will be attained and variances could be material. The recovery and reserve estimates of the Corporation's crude oil, natural gas liquids and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and natural gas liquid reserves may be greater than or less than the estimates provided herein.

Reserves Data (Constant Prices and Costs)

Summary of Oil and Gas Reserves
and Net Present Values of Future Net Revenue
as of December 31, 2006
Based on Constant Prices and Costs

Reserves Category	Light and Medium Oil		Natural Gas Liquids		Natural Gas		Oil Equivalent	
	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)	Gross (MBOE)	Net (MBOE)
Proved Producing	21	18	1	0	1,370	953	250	177
Proved Undeveloped	–	–	–	–	4,086	3,087	681	514
Total Proved	21	18	1	0	5,456	4,040	931	691
Probable	6	5	–	–	1,716	1,280	292	219
Total Proved Plus Probable	27	23	1	0	7,172	5,320	1,223	910

Net Present Values of Future Net Revenue								
Reserves Category	Before Income Taxes Discounted at				After Income Taxes Discounted at			
	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)
Proved Producing	3,429	3,021	2,707	2,459	3,429	3,021	2,707	2,459
Proved Undeveloped	4,760	3,329	2,135	1,323	4,760	3,329	2,135	1,323
Total Proved	8,189	6,260	4,842	3,782	8,189	6,260	4,842	3,782
Probable	4,739	3,158	2,223	1,642	4,739	3,158	2,223	1,642
Total Proved Plus Probable	12,928	9,418	7,065	5,424	12,928	9,418	7,065	5,424

Total Future Net Revenue (Undiscounted)								
Reserves Category	Revenue (\$000s)	Royalties (\$000s)	Operating Costs (\$000s)	Capital Development Costs (\$000s)	Abandonment Costs (\$000s)	Future Net Revenue Before Income Taxes (\$000s)	Income Tax (\$000s)	Future Net Revenue After Income Taxes (\$000s)
Proved Undeveloped	23,053	6,063	4,307	7,668	255	4,760	–	4,760
Total Proved	32,263	8,695	7,313	7,668	398	8,189	–	8,189
Probable	10,062	2,681	2,642	–	–	4,739	–	4,739
Total Proved Plus Probable	42,325	11,376	9,955	7,668	398	12,928	–	12,928

Future Net Revenue by Production Group					
Production Group	Future Net Revenue Before Income Taxes (Discounted at 10% per Annum)				
	Proved Producing (\$000s)	Proved Undeveloped (\$000s)	Total Proved (\$000s)	Probable (\$000s)	Total Proved Plus Probable (\$000s)
Light and Medium Crude Oil	454	–	454	67	521
Natural Gas Liquids	–	–	–	–	–
Natural Gas	2,253	2,135	4,388	2,156	6,544
Total	2,707	2,135	4,842	2,223	7,065

Reserves Data (Forecast Prices and Costs)

Summary of Oil and Gas Reserves
and Net Present Values of Future Net Revenue
as of December 31, 2006
Based on Forecast Prices and Costs

Reserves Category	Light and Medium Oil		Natural Gas Liquids		Natural Gas		Oil Equivalent	
	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (MMcf)	Net (MMcf)	Gross (MBOE)	Net (MBOE)
Proved Producing	21	18	1	0	1,368	942	250	175
Proved Undeveloped	–	–	–	–	4,151	3,122	692	520
Total Proved	21	18	1	0	5,519	4,064	942	695
Probable	5	5	–	–	1,863	1,384	315	236
Total Proved Plus Probable	26	23	1	0	7,382	5,448	1,257	931

Net Present Values of Future Net Revenue								
Reserves Category	Before Income Taxes Discounted at				After Income Taxes Discounted at			
	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)	0% (\$000s)	5% (\$000s)	10% (\$000s)	15% (\$000s)
Proved Producing	4,630	4,019	3,561	3,209	4,630	4,019	3,561	3,209
Proved Undeveloped	9,475	6,888	5,068	3,752	9,183	6,619	4,932	3,656
Total Proved	14,105	10,907	8,629	6,961	13,813	10,710	8,493	6,865
Probable	7,699	4,820	3,231	2,301	5,455	3,424	2,303	1,649
Total Proved Plus Probable	21,804	15,727	11,860	9,262	19,268	14,134	10,796	8,514

Total Future Net Revenue (Undiscounted)								
Reserves Category	Revenue (\$000s)	Royalties (\$000s)	Operating Costs (\$000s)	Capital Development Costs (\$000s)	Abandonment Costs (\$000s)	Future Net Revenue	Income Tax	Future Net Revenue
						Before Income Taxes (\$000s)	(\$000s)	After Income Taxes (\$000s)
Proved Producing	11,485	3,386	3,281	–	188	4,630	–	4,630
Proved Undeveloped	31,295	8,235	5,496	7,736	353	9,475	292	9,183
Total Proved	42,780	11,621	8,777	7,736	541	14,105	292	13,813
Probable	17,104	4,521	4,804	–	80	7,699	2,244	5,455
Total Proved Plus Probable	59,884	16,142	13,581	7,736	621	21,804	2,536	19,268

Future Net Revenue by Production Group					
Production Group	Future Net Revenue Before Income Taxes (Discounted at 10% per Annum)				
	Proved Producing (\$000s)	Proved Undeveloped (\$000s)	Total Proved (\$000s)	Probable (\$000s)	Total Proved Plus Probable (\$000s)
Light and Medium Crude Oil	476	–	476	75	551
Natural Gas Liquids	–	–	–	–	–
Natural Gas	3,085	5,068	8,153	3,156	11,309
Total	3,561	5,068	8,629	3,231	11,860

Notes to Reserve Data Tables

1. The crude oil, natural gas liquids and natural gas reserve estimates presented in the GLJ Report are based on the definitions and guidelines contained in the COGE Handbook. A summary of those definitions is set forth below.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on

analysis of drilling, geological, geophysical and engineering data;

the use of established technology; and

specified economic conditions. Reserves are classified according to the degree of certainty associated with the estimates.

- (a) **Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
- (b) **Probable reserves** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Other criteria that must also be met for the categorization of reserves are provided in the COGE Handbook.

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

- (a) **Developed reserves** are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
 - (i) **Developed producing reserves** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
 - (ii) **Developed non-producing reserves** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.
- (b) **Undeveloped reserves** are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.

In multi-well pools it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to subdivide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
- (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A qualitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook.

Constant Prices and Costs

The constant crude oil and natural gas benchmark reference prices and the exchange rate utilized in the GLJ Report were as follows:

Summary of Pricing Assumptions as of December 31, 2006 Constant Prices and Costs							
Year	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Light 40° API (\$Cdn/Bbl)	Hardisty Heavy 12° API (\$Cdn/Bbl)	Cromer Medium 29.3° API (\$Cdn/Bbl)	Natural Gas AECO-C Spot (\$Cdn per Mmbtu)	Edmonton Pentanes+ Field Gate (\$Cdn/Bbl)	Exchange Rate ⁽¹⁾ (\$US/\$Cdn)
2006 ⁽²⁾	\$60.85	\$67.58	\$47.62	\$59.47	\$6.07	\$71.55	\$0.8581

Notes:

⁽¹⁾ The exchange rate used to generate the benchmark reference prices in this table.

⁽²⁾ Prices as at December 31, 2006

Forecast Prices and Costs

The forecast cost and price assumptions take into account inflation with respect to future prices, operating and capital costs. Crude oil and natural gas benchmark reference pricing, inflation and exchange rates utilized by GLJ in the GLJ Report were GLJ's then current forecasts at the date of the GLJ Report, and were as follows:

Summary of Pricing and Inflation Rate Assumptions GLJ (2007-01) Pricing, Effective January 1, 2007 Forecast Prices and Assumptions								
Year	WTI Cushing Oklahoma (\$US/Bbl)	Edmonton Par Light 40° API (\$Cdn/Bbl)	Hardisty Heavy 12° API (\$Cdn/Bbl)	Cromer Medium 29.3° API (\$Cdn/Bbl)	Natural Gas AECO-C Spot (\$Cdn per Mmbtu)	Edmonton Pentanes+ Field Gate (\$Cdn/Bbl)	Inflation Rates ⁽¹⁾ (%/Year)	Exchange Rate ⁽²⁾ (\$US/\$Cdn)
2007	\$62.00	\$70.25	\$39.25	\$61.25	\$7.20	\$71.75	2.0%	\$0.8500
2008	60.00	68.00	40.00	59.25	7.45	69.25	2.0%	0.8500
2009	58.00	65.75	39.75	57.25	7.75	67.00	2.0%	0.8500
2010	57.00	64.50	39.75	56.00	7.80	65.75	2.0%	0.8500
2011	57.00	64.50	40.25	56.00	7.85	65.75	2.0%	0.8500
2012	57.50	65.00	41.50	56.50	8.15	66.25	2.0%	0.8500
2013	58.50	66.25	42.50	57.75	8.30	67.50	2.0%	0.8500
2014	59.75	67.75	43.50	59.00	8.50	69.00	2.0%	0.8500
2015	61.00	69.00	44.25	60.00	8.70	70.50	2.0%	0.8500
2016	62.25	70.50	45.25	61.25	8.90	72.00	2.0%	0.8500
2017	63.50	71.75	46.00	62.50	9.10	73.25	2.0%	0.8500
Thereafter	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	+2.0%/yr	0.8500

Notes:

⁽¹⁾ Inflation rates for forecasting prices and costs in table.

⁽²⁾ Exchange rates used to generate the benchmark reference prices in table.

Weighted average historical prices realized, before deducting transportation costs, by the Corporation for the year ended December 31, 2006, were \$5.92/Mcf for natural gas and \$66.18/Bbl for light and medium crude oil.

4. Future Development Costs

In the estimation of the Corporation's future net revenue attributable to the reserve categories noted below, the following development costs were deducted:

Year	Forecast Prices and Costs		Constant Prices and Costs	
	Total Proved Reserves (\$000s)	Total Proved Plus Probable Reserves (\$000s)	Total Proved Reserves (\$000s)	Total Proved Plus Probable Reserves (\$000s)
2007	4,219	4,219	4,219	4,219
2008	3,517	3,517	3,449	3,449
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
Thereafter	-	-	-	-
Total	7,736	7,736	7,668	7,668
Discounted (10%)	7,072	7,072	7,012	7,012

5. The Alberta royalty tax credit ("ARTC") is not included in the cumulative cash flow amounts. Based on the ARTC program announced November 1989 by the Alberta government with modifications effective January 1, 1995, the Corporation's current producing properties do not qualify for ARTC.

6. Reasonable estimated future abandonment costs have been included by GLJ in determining the aggregate future net revenue for existing and future reserves wells. No allowance was made by GLJ for well abandonment costs of non-reserves wells, site reclamation of well sites and the abandonment and reclamation of pipelines and production facilities.

7. Both the constant and forecast price and cost assumptions assume the continuance of current laws and regulations.

8. The extent and character of all factual data supplied to GLJ were accepted by GLJ as represented. No field inspections were conducted.

Reconciliation of Changes in Reserves

	Reconciliation of Company Reserves by Product Type							
	Forecast Prices and Costs							
	Light and Medium Oil		Natural Gas Liquids		Natural Gas		Oil Equivalent	
	Gross (Mbbls)	Net (Mbbls)	Gross (Mbbls)	Net (Mbbls)	Gross (Mmcf)	Net (Mmcf)	Gross (Mboe)	Net (Mboe)
Total Proved Reserves								
December 31, 2005	27	23	1	1	243	193	69	56
Extensions and Discoveries	-	-	-	-	5,690	4,110	948	685
Technical Revisions	(4)	(3)	-	(1)	10	2	(2)	(4)
Production	(3)	(2)	-	-	(424)	(241)	(74)	(42)
December 31, 2006	20	18	1	-	5,519	4,064	941	695
Probable Reserves								
December 31, 2005	4	4	-	-	40	31	10	9
Extensions and Discoveries	-	-	-	-	1,815	1,346	303	224
Technical Revisions	2	1	-	1	8	7	3	4
December 31, 2006	6	5	-	1	1,863	1,384	316	237
Total Proved Plus Probable Reserves								
December 31, 2005	31	27	1	1	283	224	79	65
Extensions and Discoveries	-	-	-	-	7,505	5,456	1,251	909
Technical Revisions	(2)	(2)	-	-	18	9	1	-
Production	(3)	(2)	-	-	(424)	(241)	(74)	(42)
December 31, 2006	26	23	1	1	7,382	5,448	1,257	932

Reconciliation of Future Net Revenue

Reconciliation of Changes in Net Present Value of Future Revenue Discounted at 10% Per Year Forecast Prices and Costs						
	Total Proved Reserves		Probable Reserves		Total Proved Plus Probable Reserves	
	Before Tax (\$000s)	After Tax (\$000s)	Before Tax (\$000s)	After Tax (\$000s)	Before Tax (\$000s)	After Tax (\$000s)
Estimated Net Present Value of Future Net Revenue at December 31, 2005	1,028	1,028	68	68	1,096	1,096
Change in Present Value ⁽¹⁾	103	103	7	7	110	110
Net Changes in Income Taxes ⁽²⁾	–	(18)	–	(90)	–	(108)
Net Changes from Extensions and Discoveries	8,949	8,829	3,120	2,274	12,069	11,103
Net Changes from Forecast Price Revisions ⁽³⁾	(75)	(74)	7	12	(68)	(62)
Net Changes from Technical Reserve Revisions	(75)	(74)	29	32	(46)	(42)
Sales and Transfers of Oil and Gas Produced ⁽⁴⁾	(1,301)	(1,301)	–	–	(1,301)	(1,301)
Estimated Net Present Value of Future Net Revenue at December 31, 2006	8,629	8,493	3,231	2,303	11,860	10,796

Notes:

- (1) Estimated as 10% of the beginning of period net present value.
- (2) The difference between forecast income taxes at beginning of period and forecast income taxes at end of period.
- (3) The net impact of changes in prices and other economic factors on future net revenue.
- (4) Corporation actual before interest, excluding general and administrative expenses.

Additional Information Relating to Reserves Data

Undeveloped Reserves

The Corporation recorded the following proved undeveloped and probable undeveloped reserves in its history:

	Light and Medium Oil		Natural Gas Liquids		Natural Gas		Oil Equivalent	
	First Attributed (Mbbls)	Cumulative (Mbbls)	First Attributed (Mbbls)	Cumulative (Mbbls)	First Attributed (Mmcf)	Cumulative (Mmcf)	First Attributed (Mboe)	Cumulative (Mboe)
Proved Undeveloped Reserves								
Prior thereto	–	–	–	–	–	–	–	–
June 30, 2003	–	–	–	–	–	–	–	–
December 31, 2003	–	–	–	–	–	–	–	–
December 31, 2004	–	–	–	–	–	–	–	–
December 31, 2005	–	–	–	–	–	–	–	–
December 31, 2006	–	–	–	–	4,151	4,151	692	692
Probable Undeveloped Reserves								
Prior thereto	–	–	–	–	–	–	–	–
June 30, 2003	–	–	–	–	–	–	–	–
December 31, 2003	–	–	–	–	–	–	–	–
December 31, 2004	–	–	–	–	–	–	–	–
December 31, 2005	–	–	–	–	–	–	–	–
December 31, 2006	–	–	–	–	1,326	1,326	221	221

Significant Factors or Uncertainties

The Corporation retains qualified independent reserves evaluators to evaluate the Corporation's proved and probable petroleum and natural gas reserves. In 2006, 100% of the Corporation's reserves were evaluated by qualified independent reserves evaluators.

The estimation of reserves involves the exercise of judgment. Forecasts are based on engineering data, future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties and interpretations. The Corporation expects that over time its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels. Reserve estimates can have a significant impact on net earnings, as they are a key component in the calculation of depletion, depreciation and amortization. A revision to the reserve estimate could result in a higher or lower DD&A charge to net earnings. Downward revisions to reserve estimates could also result in a write-down of oil and natural gas property, plant and equipment carrying amounts under the ceiling test.

Estimates of economically recoverable oil and natural gas reserves and natural gas liquids and related future net cash flows are based upon a number of variable factors and assumptions, such as commodity prices, production from the properties, future operating costs and potential changes to the Corporation's operations arising from regulatory amendments. All of these estimates may vary from actual results. Estimates of the recoverable oil and natural gas reserves attributable to any property vary. The Corporation's actual production, revenues, royalties and other taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances may be material. As the Corporation has not entered into any hedging contracts, there is also risk that the Corporation's oil and natural gas reserves cannot be economically produced at prices prevailing in future periods.

The Corporation's independent engineering firm, GLJ, completes an evaluation of the Corporation's reserves each year and reports to the Corporation's Reserves Committee.

Oil and gas exploration and extraction pose considerable environmental risk and worksite practices must recognize the safety risks associated with working with heavy equipment and potentially volatile liquids and gases. The Corporation mitigates environmental and safety risks by maintaining its operations to meet or exceed standard set by provincial and federal environmental and safety regulations and maintaining appropriate insurance coverage.

Other Oil and Gas Information

Oil and Gas Properties

The following is a description of Ironhorse's oil and natural gas properties. Information in respect of production volumes is expressed as "gross" production, namely the total of Ironhorse's working interest share of production, before deduction of royalties owned by others and without including any royalty interests of the Corporation. Reserve amounts are stated, before deduction of royalties, based on future cost and price assumptions as evaluated, as at December 31, 2006 in the GLJ Report. Based on the estimated net present value of future net revenue, before income taxes and discounted at 10% per annum, GLJ evaluated 100 percent of Ironhorse's total proved and probable reserves. Information in respect of gross and net acres, well counts and production are as of December 31, 2006, except where indicated otherwise.

Boundary Lake, Alberta

The Boundary Lake property is located approximately 65 kilometres northeast of Fort St. John, British Columbia in Township 86, Ranges 12 to 13 W6. The Corporation holds non-operated working interests in the area. The Corporation holds an 8.4% working interest in three wells at Boundary Lake on 1,120 acres of land. Two of these wells are producing oil from the Triassic and the remaining is currently shut-in. In 2006, the Corporation's Boundary Lake property produced approximately 3,000 Bbls of oil and natural gas liquids and 9 mmcf of natural gas, net to the Corporation. Boundary Lake contributes 3.2% of the Corporation's proven plus probable reserves as reported by GLJ Petroleum Consultants, effective December 31, 2006.

Lochend, Alberta

The Lochend property is located in Townships 28 and 29, Ranges 3 and 4, W5, approximately 70 kilometres northwest of Calgary, Alberta. The Corporation holds working interests ranging from 6.6% to 16.5% on 4,160 acres in the area. The property is currently productive in the oil bearing late cretaceous Cardium formation. There are 14 producing oil wells in this property. The Corporation also holds interests in 3 wells that are currently shut in. In 2006, the Corporation's Lochend property produced 10 mmcf of natural gas, net to the Corporation. Lochend contributes 2.7% of the Corporation's proven plus probable reserves as reported by GLJ Petroleum Consultants, effective December 31, 2006

Pembina, Alberta

The Pembina property is located in Townships 48, 49 and 50, Ranges 6 to 9, W5, approximately 50 kilometres west of Edmonton, Alberta. The Corporation holds working interests ranging from 6.9% to 25.0% on 8,960 acres in the area. The property is currently undeveloped with targets in the Nisku Formation. There are no producing wells and one future water disposal well on this property. In 2006, the Corporation's Pembina property contributed no production and no reserves have been assigned to the property in the Corporation's December 31, 2006 reserve report.

In 2006, Ironhorse acquired undeveloped working interests at Pembina in Alberta.

Shackleton, Saskatchewan

The Shackleton property is located in Townships 21 and 22, Ranges 18 to 20, W3, near Abbey, Saskatchewan. The Corporation holds a 50% working interest in 6,560 acres in the area. The property is currently productive in the natural gas bearing Milk River formation. Property production commenced in May of 2006 and at December 31, 2006, the Corporation held a 50% working interest in 7 producing natural gas wells and 50% of the area infrastructure including a gas plant and gathering system. Since commencing production in May of 2006, the Shackleton property produced 404 mmcf of natural gas, net to the Corporation. Shackleton accounts for 94% of the Corporation's reserves, effective December 31, 2006, as reported by GLJ Petroleum Consultants. An additional 34 locations were factored into the reserve evaluation in that report and future development costs of \$7.7 million, net to the Corporation, has been estimated to bring these 34 locations to a productive capacity.

Oil and Gas Wells

The following table sets forth the number and status of wells in which the Corporation has a working interest as at December 31, 2006:

	Producing Wells				Non-Producing Wells			
	Crude Oil		Natural Gas		Crude Oil		Natural Gas	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	16	1.2	–	–	5	0.4	–	–
Saskatchewan	–	–	7	3.5	–	–	–	–
Total	23	4.7	7	3.5	5	0.4	–	–

Properties with no Attributable Reserves

The following table sets out the Corporations undeveloped land holdings as at December 31, 2006:

	Undeveloped Acres	
	Gross	Net
Alberta	8,960	1,300

The Corporation's undeveloped lands are located at Pembina, Alberta and are subject to expiry in the years 2009 to 2011.

Forward Contracts

The Corporation entered into a collar contract with a natural gas marketing company where the Corporation committed to deliver 625 gigajoules (GJ) per day from November 1, 2006 to March 31, 2007. The contract was costless to the Corporation and provided the Corporation with a floor of \$8.00 per GJ and a ceiling of \$11.10 per GJ during the contract period. For the months of November and December 2006, the Corporation had received a net benefit of \$36,318 relating to additional revenue generated above the sales revenue the Corporation would have otherwise received. At December 31, 2006, the contract was valued at \$90,000. The Corporation held no other contracts during 2006.

Additional Information Concerning Abandonment and Reclamation Costs

The Corporation estimates abandonment and site restoration costs on a site-by-site basis taking into account engineering studies, historical experience and industry guidelines. The Corporation expects to incur abandonment and site restoration costs for 28 wells and for certain facilities that the Corporation has a working interest ownership. The total abandonment and site restoration costs, net of salvage values, is estimated by the Corporation at \$869,910, of which \$86,894, \$5,905 and \$7,193 are estimated to be incurred in 2007, 2008 and 2009, respectively. The GLJ report deducted estimated costs to abandon existing and future reserves wells in the estimate of future net revenue but did not consider costs for site reclamation or abandonment of non-reserves wells and pipelines. In the determination of future net revenue associated with the total proved plus probable reserves, GLJ estimated well abandonment costs of \$621,000 (\$69,000 when discounted at 10%), none of which is to be incurred in 2007, 2008 and 2009, respectively.

Tax Horizon

The Corporation was not required to pay income taxes for the year ended December 31, 2006. The Corporation, based on the GLJ report, will become taxable in 2009.

Capital Expenditures

Type	Proved Properties (\$000s)	Unproved Properties (\$000s)	Total (\$000s)
Property Acquisition Costs	2,308	85	2,393
Exploration Costs	254	642	896
Development Costs	10,625	–	10,625
Total	13,187	727	13,914

Production Estimates

The following table sets out the volume of the Corporation's average daily production estimated for the year ended December 31, 2007 that is reflected in the estimate of future net revenue disclosed in the Forecast Prices and Costs tables contained under "Disclosure of Reserves Data". The amounts presented are working interest production before deduction of royalties owned by others and do not include royalty income interests. The estimated average daily production volumes for the year ended 2007 included in the Constant Prices and Costs tables are not materially different from the information presented below:

Reserves Category	Light and Medium Oil (Bbls/d)	Natural Gas Liquids (Bbls/d)	Natural Gas (Mcf/d)	BOE (BOE/d)
Proved				
Proved Producing	7	–	1,021	177
Proved Undeveloped	–	–	1,666	278
Total Proved	7	–	2,687	455
Probable	–	–	56	9
Total Proved Plus Probable	7	–	2,743	464

Production History

The following table summarizes certain information in respect of production, product prices received, royalties paid, operating expenses and resulting netback for the periods indicated below:

	2006				Year Ended Dec 31
	Three Months Ended				
	Mar 31	Jun 30	Sep 30	Dec 31	Dec 31
Average Daily Production					
Light and Medium Crude Oil (Bbls/d)	9	9	8	7	8
Natural Gas (Mcf/d)	65	1,218	1,931	1,409	1,162
Combined (BOE/d)	20	212	330	242	202
Average Price Received					
Light and Medium Crude Oil (\$/Bbl)	\$59.23	\$73.38	\$73.52	\$58.46	\$66.18
Natural Gas (\$/Mcf)	9.03	5.31	5.25	7.22	5.92
Combined (\$/BOE)	56.48	33.58	32.49	43.78	36.78
Royalties Paid					
Light and Medium Crude Oil (\$/Bbl)	11.27	18.22	14.43	12.19	14.05
Natural Gas (\$/Mcf)	2.44	2.41	2.34	2.71	2.48
Combined (\$/BOE)	13.12	14.64	14.07	16.16	14.83
Operating Expenses					
Light and Medium Crude Oil (\$/Bbl)	31.22	41.72	29.23	30.22	33.27
Natural Gas (\$/Mcf)	–	0.39	0.57	0.55	0.51
Combined (\$/BOE)	14.21	3.94	4.06	4.14	4.24
Netback Received					
Light and Medium Crude Oil (\$/Bbl)	16.74	13.44	29.86	16.05	18.86
Natural Gas (\$/Mcf)	6.59	2.51	2.34	3.96	2.93
Combined (\$/BOE)	29.15	15.00	14.36	23.48	17.71

Notes:

- (1) Before deduction of royalties.
- (2) Excluding transportation costs.
- (3) Netbacks are calculated by subtracting royalties and operating costs from revenues.

The following table indicates the Corporation's average daily production at a field level for the year ended December 31, 2006:

Property	Light and Medium Oil (Bbls/d)	Natural Gas Liquids (Bbls/d)	Natural Gas (Mcf/d)	BOE (BOE/d)
Boundary Lake	8	–	26	12
Lochend	–	–	29	5
Shackleton	–	–	1,107	185
Total	8	–	1,162	202

DIVIDENDS

The Corporation has not paid any dividends on its Common Shares to the date hereof. It is the present policy of the board of directors of the Corporation to retain any earnings to finance the growth and development of the Corporation's business and, therefore, the Corporation does not anticipate paying any dividends in the immediate future.

AUDIT COMMITTEE INFORMATION

The Audit Committee of the Board of Directors of the Company is a committee of the Board of Directors established for the purpose of overseeing the accounting and financial reporting process of the company and annual external audits of the consolidated financial statements. The committee has set out its responsibilities and composition requirements in fulfilling its oversight in relation to the company's internal accounting standards and practices, financial information, accounting systems and procedures, which procedures are set out below in the Company's audit committee mandate attached hereto as Appendix "C".

Audit Committee Members

James Wilson, Gerry Quinn and Jeff Lawson are the members of Ironhorse's audit committee. Gerry Quinn and Jeff Lawson are independent directors, while James Wilson is an officer of the Corporation and is not independent.

All members of the audit committee are financially literate. Their qualifications and experience are as follows:

Mr. James K. Wilson holds a Bachelor of Commerce degree and a Chartered Accountant designation. Mr. Wilson is currently the Chief Financial Officer of Grizzly Resources Ltd. and has held that position at several predecessor companies. Mr. Wilson has over 25 years of financial experience in the oil and gas industry.

Gerry C. Quinn, a Chartered Accountant, is the President of The Erin Mills Investment Corporation, a private venture capital company. Prior to joining Erin Mills, Mr. Quinn served as a senior officer in Magna International Inc. and Barrincorp, both publicly traded companies, and as a partner in the public accounting firm of Ernst & Young.

Jeff Lawson has been a Partner in the law firm of Burnet, Duckworth & Palmer LLP since January 1, 1999 where his practice is focused on merger and acquisition activities and corporate finance. Mr. Lawson is also a member of the Executive Committee of Burnet, Duckworth & Palmer LLP and serves on the board of directors of a number of public issuers and certain charitable organizations. Mr. Lawson holds a Bachelor of Laws degree from the University of Alberta.

External Auditor Fees

The Audit Committee shall review and pre-approve all non-audit services to be provided to Ironhorse by its external auditors.

Audit Service Fees

Kenway Mack Slusarchuk Stewart LLP has served as the Corporation's auditors since 2003. The following table discloses fees billed to the Corporation for the last two fiscal years.

Type of Service Provided	2006	2005
Audit Fees:	\$22,000	\$17,500
Audit-Related Fees:	–	–
Tax Fees:	–	–
All Other Fees:	–	–
Total	\$22,000	\$17,500

Exemptions

Ironhorse relies on section 6.1 of Multilateral Instrument 52-110 as Ironhorse is a TSXV issuer pursuant to Multilateral Instrument 52-110.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of first preferred shares. As of April 25, 2007 there were 19,799,476 Common Shares issued and outstanding and no first preferred shares issued and outstanding.

The common shares are entitled to dividends in such amounts as the directors may from time to time declare and, in the event of liquidation, dissolution or winding-up of the Corporation, are entitled to share pro rata in the assets of the Corporation.

The preferred shares rank in priority to the common shares as to the payment of dividends and as to the distribution of assets in the event of liquidation, dissolution or winding-up of the Corporation. Preferred shares may also be given such other preferences over the common shares as may be determined for any series authorized to be issued. The Corporation currently has no preferred shares outstanding.

The common shares of the Corporation are listed for trading on the TSXV under the symbol "IOG".

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets forth the high and low trading prices and aggregate volume of trading of common shares of Ironhorse on the TSXV for the periods indicated (as quoted by such Exchange):

Month in 2006	Price Range		Share Volume #
	High (\$)	Low (\$)	
January	2.25	1.87	65,453
February	2.74	1.98	208,476
March	2.50	2.00	66,892
April	2.90	2.12	173,502
May	3.39	2.85	206,914
June	2.86	2.26	35,935
July	2.49	2.05	30,409
August	2.79	2.15	71,884
September	2.80	2.35	62,551
October	2.30	1.50	49,872
November	2.30	1.80	139,570
December	2.25	1.99	40,970

ESCROWED SECURITIES

As at December 31, 2006, the Corporation is holding 7,049 common shares in escrow. Further discussion concerning these securities is detailed in Note 6 to the Corporation's Financial Statements for the year ended December 31, 2006 which is incorporated herein by reference.

DIRECTORS AND OFFICERS

The name and place of residence of each director and officer, the offices held by each in the Corporation, the principal occupation of each director and officer, the period served as a director or officer and the number of securities of the Corporation owned by each such individuals as at April 25, 2007 is as follows:

Name and Place of Residence	Year Became Director or Officer	Principal Occupation for the Past Five Years	Number of Common Shares Beneficially Owned or Controlled
Larry J. Parks ⁽²⁾ Alberta, Canada	2003	President and Chief Executive Officer, Grizzly Resources Ltd., an oil and gas exploration and production company	1,873,010
Blaine C. Favel Alberta, Canada	2004	President, Thundersong Consulting, a firm dedicated to advising First Nation tribes on oil and gas development, private equity and business strategy	421,875
Jeff Lawson ⁽¹⁾ Alberta, Canada	2003	Partner, Burnet, Duckworth & Palmer LLP, Barristers and Solicitors	141,300
Gerry C. Quinn ⁽¹⁾ Ontario, Canada	2004	President, The Erin Mills Investment Corporation, a private venture capital company	1,421,549 ⁽³⁾
James K. Wilson ^{(1) (2)} Alberta, Canada	2003	Vice-President, Finance & Chief Financial Officer, Grizzly Resources Ltd., an oil and gas exploration and production company	442,749
Alan G. Withey Alberta, Canada	2005	Vice-President, Finance & Chief Financial Officer, Ironhorse Oil & Gas Inc.	97,243
D. Craig Boland Alberta, Canada	2003	Vice-President, Exploration, Grizzly Resources Ltd.	311,950
William G. Manley Alberta, Canada	2003	Vice-President, Engineering & Operations, Grizzly Resources Ltd.	404,749

Notes:

- (1) Members of the Audit Committee.
- (2) Members of the Reserves Committee.
- (3) 93,750 shares are held by Cosmopolitan Investment Corporation, a company of which Mr. Quinn is a Director.

All of the above directors and officers have held their present principal occupations or other positions with the same organizations listed above for at least the last five years, except as noted below under “Management”.

The term of office of all of the above directors expires at the next annual meeting of shareholders of the Corporation or until their successors are appointed, subject to the provisions of the ABCA and the by-laws of the Corporation.

As of April 25, 2007, the current directors and senior officers of the Corporation as a group owned beneficially, directly and indirectly 5,114,425 Common Shares representing 25.8% of the presently issued and outstanding Common Shares of the Corporation.

Corporate Cease Trade Orders or Bankruptcies

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as described below, no director is as at the date hereof, or has been, within 10 years of the date hereof, a director or executive officer of any company, including the Corporation, that while that person was acting in that capacity:

- a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days,

or within a year of that person ceasing to act in that capacity,

- a) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

In addition, no director has had any penalties or sanctions imposed against him or entered into any settlement agreement in respect of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, including a settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body.

J.G. (Jeff) Lawson has been a director of BakBone Software Incorporated ("BakBone") since 2000. In October, 2004, BakBone announced that it had approved the engagement of Deloitte & Touche LLP as BakBone's independent public accountants, who would replace KPMG LLP, who were BakBone's previous independent public accounts. As a result of this change of accountants, and the requirement for Deloitte & Touche LLP to both review BakBone's current results and its previously published financial statements, the company was not in a position to file its quarterly report on Form 10-Q for the September 30, 2004 period and consequently, in December 2004, each of the Alberta, British Columbia and Ontario Securities Commissions issued cease trade orders against the Company to the effect that all trading in the securities of BakBone cease until it has filed its requisite financial statements in accordance with Canadian securities legislation.

CONFLICTS OF INTEREST

Directors and Officers of the Corporation may, from time to time, be involved with the business and operations of other oil and gas issuers, in which case a conflict may arise. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies under the ABCA.

MANAGEMENT

Larry J. Parks, President, Chief Executive Officer and Director

Mr. Parks was appointed President and Chief Executive Officer and a director of Ironhorse in 2003. Mr. Parks is also the President and Chief Executive Officer of Grizzly Resources Ltd., a private oil and gas exploration and production company. Prior to September 1, 2004, Mr. Parks was President and Chief Executive Officer of Archean Energy Ltd. Mr. Parks has 30 years experience in the oil and gas industry.

Alan G. Withey, Vice-President, Finance and Chief Financial Officer

Mr. Withey was appointed Vice-President and Chief Financial Officer on April 18, 2005. Prior to this, Mr. Withey was President of Valesco Management Ltd., a management consulting company. Prior thereto, Mr. Withey was Vice President, Finance & Chief Financial Officer of Cheyenne Energy Inc., a public junior oil and gas company from April 2002 to December 2004. Prior thereto, Mr. Withey was a member of the Corporate Planning and Treasury departments of Devon Canada Corp. and its predecessors from March of 1999 to April of 2002. Mr. Withey has 16 years experience in finance and has been actively involved in the oil and gas industry for the past 9 years.

D. Craig Boland, Vice-President, Exploration

Mr. Boland was appointed Vice-President, Exploration in 2003. He is also Vice-President, Exploration of Grizzly Resources Ltd. Prior to September 1, 2004, he was Vice-President, Exploration for Archean Energy Ltd. Mr. Boland, a Professional Geologist, earned a B.Sc. (Honours) degree in Geology and Geophysics and a Masters Degree in Earth Science from Memorial University. Mr. Boland has 21 years of experience in Canadian and international petroleum exploration with major and junior oil and gas companies.

William G. Manley, Vice-President, Engineering & Operations

Mr. Manley was appointed Vice-President, Engineering & Operations in 2003. He is also Vice-President, Engineering & Operations of Grizzly Resources Ltd. Prior to September 1, 2004, he was Vice-President, Engineering & Operations for Archean Energy Ltd. since 2001. Prior thereto, Mr. Manley was Manager, Engineering for Forte Energy Ltd. Mr. Manley has been active in the oil and gas industry for the past 27 years.

James K. Wilson, Vice-President & Corporate Secretary

Mr. Wilson was appointed Corporate Secretary and a director in 2003 and served as Vice-President, Finance & Chief Financial Officer of the Corporation from June 2003 to April 2005. He was appointed Vice-President & Corporate Secretary in November 2006. Mr. Wilson is also Vice-President, Finance & Chief Financial Officer of Grizzly Resources Ltd. Prior to September 1, 2004, he was Vice-President, Finance & Chief Financial Officer of Archean Energy Ltd. since January 2002. Prior thereto, he was Vice-President, Finance, Chief Financial Officer and Corporate Secretary at Grey Wolf Exploration Inc. since March 2000. Prior thereto, he was Vice-President, Finance and Chief Financial Officer of Maxx Petroleum Ltd. Mr. Wilson was Executive Vice-President and CFO of Chauvco Resources International Ltd. from January 1998 to September 1998. The trading of shares of Chauvco Resources International Ltd. was suspended by the Toronto and Montreal Stock Exchanges in July 1998 and was subsequently de-listed. Mr. Wilson has been active in the oil and gas industry for the past 25 years.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Valiant Trust Company, 310, 606 – 4th Street SW Calgary, Alberta T2P 1T1.

LEGAL PROCEEDINGS

There are no outstanding legal proceedings involving the Corporation or its assets as of April 25, 2007 which management of the Corporation believes to be material to the Corporation, nor are any such proceedings known by the Corporation to be contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any director or executive officer of the Corporation or of any person or company that is, to the knowledge of the Corporation, the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the common shares of the Corporation or their respective associates or affiliates in any transaction within the three most recently completed financial years of the Corporation or the current financial year of the Corporation that has materially affected or will materially affect the Corporation.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Corporation is not a party to any contract that is material to the Corporation and that was entered into within the most recently completed financial year, or before the most recently completed financial year but is still in effect.

INTERESTS OF EXPERTS

Names of Experts

Kenway Mack Slusarchuk Stewart LLP audited the Corporation's financial statements for the year ended December 31, 2006 and issued an audit report thereon which is contained in the Corporation's financial statements for the year ended December 31, 2006.

GLJ Petroleum Consultants evaluated and reviewed the Corporation's oil and gas reserves effective December 31, 2006 as presented in the GLJ Report.

Interests of Experts

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than GLJ, the Corporation's independent engineering evaluator. As at the date hereof, to the knowledge of management of the Corporation, none of the aforementioned persons or companies, or principals thereof, had any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of our associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

In addition, Kenway Mack Slusarchuk Stewart, LLP, Chartered Accountants, are the Corporation's auditors and as such have prepared an opinion with respect to the Corporation's consolidated financial statements as at and for the fiscal year ended December 31, 2006. Kenway Mack Slusarchuk Stewart LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

ADDITIONAL INFORMATION

Additional information, including the under noted information, relating to Ironhorse may be found on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's comparative consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2006.

Additional copies of this Annual Information Form, the materials listed in the preceding paragraphs and any interim financial statements which have been issued by the Corporation, are available upon request by contacting the Vice-President, Finance & Chief Financial Officer of the Corporation at its offices at Suite 1000, 324 – 8th Avenue SW, Calgary, Alberta, T2P 2Z2, or by phone at (403) 355-3620.

APPENDIX "A"
REPORT OF MANAGEMENT AND DIRECTORS ON OIL AND GAS DISCLOSURE

Management and the Company's director's report on oil and gas disclosure dated April 25, 2007 for the year ended December 31, 2006 has been filed on the System for Electronic Data And Retrieval (SEDAR) and is may be viewed on www.sedar.com. This disclosure incorporated herein by reference.

APPENDIX "B"
REPORT ON RESERVES DATA BY THE INDEPENDENT QUALIFIED RESERVES EVALUATOR

The report on the Company's reserves data by the independent qualified reserves evaluator for the year ended December 31, 2006 has been filed on the System for Electronic Data And Retrieval (SEDAR) and is may be viewed on www.sedar.com. This disclosure incorporated herein by reference.

APPENDIX "C"
AUDIT COMMITTEE CHARTER

GENERAL FUNCTIONS, AUTHORITY, AND ROLE

The Audit Committee is a committee of the Board of Directors appointed to assist the Board in monitoring (1) the integrity of the financial statements of the Company, (2) compliance by the Company with legal and regulatory requirements related to financial reporting, (3) qualifications, independence and performance of the Company's independent auditors, and (4) performance of the Company's internal controls and financial reporting process. The Audit Committee's annual report is included in the annual management information circular.

The Audit Committee has the power to conduct or authorize investigations into any matters within its scope of responsibilities, with full access to all books, records, facilities and personnel of the Company, its auditors and its legal advisors. In connection with such investigations or otherwise in the course of fulfilling its responsibilities under this charter, the Audit Committee has the authority to independently retain special legal, accounting, or other consultants to advise it, and may request any officer or employee of the Company, its independent legal counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Audit Committee also has the power to create specific sub-committees with all of the investigative powers described above.

The Company's independent auditor is ultimately accountable to the Board of Directors and to the Audit Committee; and the Board of Directors and Audit Committee, as representatives of the Company's shareholders, have the ultimate authority and responsibility to evaluate the independent auditor, and to nominate annually the independent auditor to be proposed for shareholder approval, and to determine appropriate compensation for the independent auditor. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee must maintain free and open communication between the Company's independent auditors, Board of Directors and Company management. The responsibilities of a member of the Audit Committee are in addition to such member's duties as a member of the Board of Directors.

While the Audit Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. This is the responsibility of the independent auditor and management, respectively. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor (other than disagreements regarding financial reporting), or to assure compliance with laws and regulations or the Company's own policies.

MEMBERSHIP

The membership of the Audit Committee will be as follows:

- The Committee will consist of a minimum of three members of the Board of Directors, appointed annually, a majority of whom are affirmatively confirmed as independent by the Board of Directors, with such affirmation disclosed in the Company's annual circular.
- The Board will elect, by a majority vote, one member as chairperson
- A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other Board committee, accept any consulting, advisory, or other compensatory fee from the Company, and may not be an affiliated person of the Company or any subsidiary thereof, without the consent of the Board of Directors.

RESPONSIBILITIES

The responsibilities of the Audit Committee shall be as follows:

Frequency of Meetings

- Meet quarterly or as often as may be deemed necessary or appropriate in its judgment, either in person or telephonically.
- Meet with the independent auditor at least annually, either in person or telephonically.

Reporting Responsibilities

- Maintain proper Committee minutes.
- Report Committee actions to the Board of Directors with such recommendations as the Committee may deem appropriate.
- Provide a report for the Company's Annual Information Circular, if applicable.

Charter Evaluation

- Annually review and reassess the adequacy of this Charter and recommend any proposed changes to the Board of Directors for approval.

Whistleblower Mechanisms

- Adopt and review annually a mechanism through which employees and others can directly and anonymously contact the Audit Committee with concerns about accounting and auditing matters. The mechanism must include procedures for responding to, and keeping of records of, any such expressions of concern.

Independent Auditor

- Nominate annually the independent auditor to be proposed for shareholder approval.
- Approve the compensation of the independent auditor, and evaluate the performance of the independent auditor.
- Establish policies and procedures for the engagement of the independent auditor to provide non-audit services.
- Insure that the independent auditor is not engaged for any activities not allowed by any of the Canadian provincial securities commissions, or any securities exchange on which the Company's shares are traded.
- Insure that the auditors are not engaged for any of the following nine types of non-audit services contemporaneous with the audit:
 - o Bookkeeping or other services related to accounting records or financial statements of the Company;
 - o Financial information systems design and implementation;
 - o Appraisal or valuation services, fairness opinions, or contributions-in-kind reports;
 - o Actuarial services;
 - o Internal audit outsourcing services;
 - o Any management or human resources function;
 - o Broker, dealer, investment advisor, or investment banking services;
 - o Legal services; and
 - o Expert services related to the auditing service.

Hiring Practices

- Insure that no senior officer who is, or in the past full year has been, affiliated with or employed by an auditor of the Company or an affiliate, is hired by the Company until at least one full year after the end of either the affiliation or the auditing relationship.

Independence Test

- Take reasonable steps to confirm the independence of the independent auditor, which shall include:
 - o insuring receipt from the independent auditor of a formal written statement delineating all relationships between the independent auditor and the Company, consistent with the Independence Standards Board Standard No. 1 and related Canadian regulatory body standards;
 - o considering and discussing with the independent auditor any relationships or services, including non-audit services, that may impact the objectivity and independence of the independent auditor; and
 - o as necessary, taking, or recommending that the Board of Directors take, appropriate action to oversee the independence of the independent auditor.

Audit Committee Meetings

- Have regular meetings (quarterly or as often may be deemed necessary or appropriate).
- In addition, if and as required, at the request of the independent auditor, convene a meeting of the Audit Committee to consider matters the auditor believes should be brought to the attention of the directors or shareholders.
- Keep minutes of its meetings and report to the Board for approval of any actions taken or recommendations made.

Restrictions

- Insure no restrictions are placed by management on the scope of the auditors' review and examination of the Company's accounts.
- Insure that no Officer or Director attempts to fraudulently influence, coerce, manipulate or mislead any accountant engaged in auditing of the Company's financial statements.

AUDIT AND REVIEW PROCESS AND RESULTS

Scope

- Consider, in consultation with the independent auditor, the audit scope and plan of the independent auditor.

Review Process and Results

- Consider and review with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, as the same may be modified or supplemented from time to time.
- Review and discuss with management and the independent auditor at the completion of the annual examination:
 - o the Company's audited financial statements and related notes;
 - o the Company's MD&A and news releases related to financial results;
 - o the independent auditor's audit of the financial statements and its report thereon;
 - o any significant changes required in the independent auditor's audit plan;
 - o any changes in financial reporting as a result of changes in GAAP, and any non-GAAP related financial information;
 - o any serious difficulties or disputes with management encountered during the course of the audit; and

- o other matters related to the conduct of the audit, which are to be communicated to the Audit Committee under generally accepted auditing standards.
- Review, discuss with management and approve annual financial statements prior to public disclosure.
- Review and discuss with management and the independent auditor the adequacy of the Company's internal controls that management and the Board of Directors have established and the effectiveness of those systems, and inquire of management and the independent auditor about significant financial risks or exposures and the steps management has taken to minimize such risks to the Company.
- Meet separately with the independent auditor and management, as necessary or appropriate, to discuss any matters that the Audit Committee or any of these groups believe should be discussed privately with the Audit Committee.
- Review and discuss with management and the independent auditor the accounting policies which may be viewed as critical, including all alternative treatments for financial information within generally accepted accounting principles that have been discussed with management, and review and discuss any significant changes in the accounting policies of the Company and industry accounting and regulatory financial reporting proposals that may have a significant impact on the Company's financial reports.
- Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures, if any, on the Company's financial statements.
- Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
- Review with the Company's legal counsel legal matters that may have a material impact on the financial statements, the Company's financial compliance policies and any material reports or inquiries received from regulators or governmental agencies related to financial matters.

SECURITIES REGULATORY FILINGS

- Review filings with the Canadian provincial securities commissions and other published documents containing the Company's financial statements.
- Review, with management and the independent auditor, prior to filing with regulatory bodies, the financial reports (including related notes and MD&A) at the completion of any review engagement or other examination. The designated financial expert of the Audit Committee may represent the entire Audit Committee for purposes of this review.

RISK ASSESSMENT

- Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Assess risk areas and policies to manage risk including, without limitation, environmental risk, insurance coverage and other areas as determined by the Board of Directors from time to time.

AMENDMENTS TO AUDIT COMMITTEE CHARTER

- Annually review this Charter and propose amendments to be ratified by a simple majority of the Board of Directors.