



First Quarterly Report
March 2006

HIGHLIGHTS

	Three months ended March 31,	
	2006	2005
Production:		
Gas (thousand cubic feet per day)	65	73
Oil and NGLs (barrels per day)	9	11
Boe (barrels oil equivalent per day)	20	23
Revenue (\$)	101,384	106,947
Funds flow from operations (\$)	55,681	46,767
Net income (loss) (\$)	(96,655)	25,265
Per diluted share amounts:		
Funds flow from operations (\$/share)	\$0.004	\$0.005
Net income (loss) (\$/share)	(\$0.006)	\$0.003
Number of shares outstanding:		
Basic weighted average	14,884,762	8,871,558
Diluted weighted average	15,742,446	9,017,498
End of period	14,901,559	8,871,558

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the Company's financial statements for the three months ended March 31, 2006 and the Company's audited financial statements and related notes for the year ended December 31, 2005. Additional information about the Company, its operations and history including the Company's Annual Information Form may be found as filed on the System for Electronic Data Analysis and Retrieval at www.sedar.com. The calculation of barrels of oil equivalent ("boe") is based on a relative energy content conversion ratio of six thousand cubic feet ("mcf") of natural gas to one barrel of oil. Production volumes reported are the Company's interest before royalties and all amounts are expressed in Canadian dollars unless otherwise stated.

Non-GAAP Measures

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

Disclosure Controls

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures and concluded that these disclosure controls and procedures were effective as of March 31, 2006 and in respect of the period then ended.

Business Environment and Risks

In addition to being impacted by operational risks normally associated with oil and gas operations, the Company has not hedged its production and is directly affected by commodity price fluctuations. World and Canadian crude oil prices have strengthened significantly in the first quarter of 2006 over the same period in 2005. Although the natural gas prices declined sharply from the fourth quarter of 2005, natural gas remains in a historically high price environment.

	Q1 '06	Q4 '05	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04
West Texas Intermediate for crude oil (US\$/bbl)	\$63.26	\$60.14	\$63.18	\$53.18	\$49.44	\$48.35	\$43.93	\$38.74
Edmonton posted reference for crude oil (C\$/bbl)	68.91	71.74	76.81	66.09	61.58	58.52	56.04	50.85
AECO-C for natural gas (C\$/mcf)	7.53	11.68	9.38	7.37	6.90	6.73	6.22	7.00

Operations

The Company has produced petroleum and natural gas from Boundary Lake and Lochend in Alberta since June 27, 2003 and began accounting for production of petroleum and natural gas in the third quarter of 2003.

Selected Quarterly Operating Data

	Q1 '06	Q4 '05	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04
Crude oil and natural gas liquids production (barrels)	817	922	969	1,024	1,006	992	1,182	1,147
Natural gas production (mcf)	5,870	6,272	6,460	6,630	6,545	6,097	7,036	5,363
Barrels oil equivalent (boe)	1,795	1,967	2,046	2,129	2,097	2,008	2,355	2,041
Per day (boe per day)	20	21	22	23	23	22	26	22
Price per barrel (\$/barrel)	\$59.23	\$62.14	\$69.36	\$62.25	\$57.32	\$54.00	\$53.25	\$45.08
Price per mcf (\$/mcf)	9.03	12.79	9.86	8.23	7.53	7.05	7.11	7.03
Price per boe (\$/boe)	56.48	69.89	63.98	55.56	51.00	48.09	47.98	43.82
Royalty rate	23.2%	23.3%	23.3%	26.3%	27.0%	22.9%	20.1%	26.2%
Operating costs per boe	\$14.21	\$12.39	\$13.98	\$9.43	\$7.54	\$7.79	\$8.19	\$6.04
General and admin per boe	10.61	35.27	9.14	15.70	8.25	13.57	5.17	17.42
Revenue	\$101,384	\$137,480	\$130,896	\$118,293	\$106,947	\$96,573	\$112,989	\$89,396
Operating netback	52,337	81,112	71,757	67,133	62,250	58,852	71,036	53,604
Funds flow from operations	55,681	38,535	78,614	36,403	46,767	33,200	59,907	18,856
Net income (loss)	(96,655)	291,045	4,841	14,325	25,265	13,452	21,529	(14,989)
Basic and diluted net income (loss) per share	(0.01)	0.02	–	–	–	–	–	–
Weighted avg. shares								
Basic (000s)	14,885	14,872	14,872	8,937	8,872	8,872	8,872	8,872
Diluted (000s)	15,742	15,723	15,709	9,430	9,017	8,984	8,987	8,937
Assets at period end (000s)	14,906	7,524	7,339	7,181	835	769	741	700

Operations (continued)

Production from the Company's minor properties at Boundary Lake and Lochend has been markedly very stable. Year-over-year declines as measured from the first quarter of 2006 versus the first quarter of 2005 is less than 15% and between the first quarter of 2005 and the first quarter of 2004, the production from these properties did not decline. Strong operating netbacks are continuing into the first quarter of 2006. With production from the Company's successful drilling in southwest Saskatchewan commencing for the month of June, second quarter production will be significantly higher than in the first quarter and will also improve in the third quarter as those properties produce for a full quarter.

The current operating netback of \$52,337 is lower than the operating netback realized in first quarter of 2005 by the same percentage as the decline in the production rates over the same period. Royalties during the current quarter are at a lower rate than the first quarter of 2005 and are offset by higher operating cost rates in the current quarter. Operating cost rates will likely decrease as new low cost production from southwest Saskatchewan is brought on in the second quarter of 2006. General and administration costs remain very low, but increased slightly year-over-year. General and administration costs will increase as the Company brings on additional production, however, the general and administration rate per boe is expected to decline as production improves.

Overhead

General and administration costs over the past two years have remained very low. The Company is charged a fee related to its management and technical services agreement with Grizzly Resources Ltd., a related company by virtue of common management. The Company is charged fees for services on the basis of capital expenditures and production. In the current quarter, the degree of capital activity inside the Company increased dramatically over previous activity levels. Commencing in 2006, the portion of the fees charged under the management and technical services agreement that relates to capital activity has been capitalized.

	Q1 '06	Q4 '05	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04
Administrative services fee	\$114,897	\$24,734	\$9,746	\$4,272	\$2,158	\$4,000	\$11,291	\$ -
Other general and administration	15,901	44,669	8,945	29,152	15,147	23,244	889	35,554
Amounts capitalized	(111,756)	-	-	-	-	-	-	-
General and administration expense	\$19,042	\$69,403	\$18,691	\$33,424	\$17,305	\$27,244	\$12,180	\$35,554

Stock-based compensation charges in the first quarter of 2006 are significantly higher than the first quarter of 2005 as the Company had more stock options outstanding in 2006 than in 2005.

Depletion, Depreciation and Amortization

	Q1 '06	Q4 '05	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04
Depletion and depreciation	7,597	8,240	10,836	11,410	11,237	10,790	23,608	18,900
Asset retirement expense	3,081	1,759	1,764	(707)	2,224	1,534	2,942	3,117
Depletion and depreciation per boe	4.23	4.19	5.30	5.36	5.36	5.37	10.02	9.26
Actual abandonment costs incurred	-	2	1,613	22	4,929	839	-	-

The Company's depletion and depreciation rate declined in the fourth quarter of 2005 due to positive revisions of reserve estimates, particularly in the Company's Lochend producing area. The Company's asset retirement expenses increased in the first quarter of 2006 primarily due to the addition of wells and a facility on the Company's new and significant acreage in southwest Saskatchewan. Commencing in 2004 and finishing in 2005, the Company reclaimed a non-producing well at Boundary Lake. The well had ceased production prior to the Company's acquisition of the area in 2003.

Capital Expenditures

The current quarter marks the most active capital expenditure period in the Company's history. The Company acquired a 50% working interest in an undeveloped land position in southwest Saskatchewan and drilled and cased eight of eight wells on the acreage for a success rate of 100%. During the quarter, the Company also initiated the construction of a gas plant in the area. This plant was completed and production for the area commenced in the second quarter of 2006.

In addition, the Company completed a three-dimensional seismic program over the second phase of its acreage, acquired additional undeveloped land and drilled a well at Pembina. The Company is still evaluating the results of this well and has yet to determine its plans with regards to the location and any further action, however, the Company does not anticipate production from the well at this time.

(\$000s)	Q1 '06	Q4 '05	Q3 '05	Q2 '05	Q1 '05	Q4 '04	Q3 '04	Q2 '04
Southwest Saskatchewan								
Land	2,165	-	-	-	-	-	-	-
Drilling	2,198	-	-	-	-	-	-	-
Facilities	4,207	-	-	-	-	-	-	-
Pembina								
Land	82	-	104	2,527	-	-	-	-
Seismic	91	-	-	-	-	-	-	-
Drilling	385	701	102	-	-	-	-	-
Minor Areas								
Facilities	-	-	-	1	-	-	-	-
Total	9,128	701	206	2,528	-	-	-	-

In the winter season of 2006/07, the Company plans to drill a minimum of thirty additional wells at southwest Saskatchewan. The Company will also continue with its development of the three phases for the Pembina program over the next 24 months.

Taxation

The Company, pursuant to a flow-through share component of an equity issue in the second quarter of 2005, committed to renouncing qualifying expenditures of \$2,400,000 to be incurred prior to December 31, 2006. At March 31, 2006, the Company had incurred the qualifying expenditures sufficient to meet this commitment.

Also as at March 31, 2006, the Company has approximately \$500,000 of unused non-capital losses and approximately \$11 million of unused resource tax pools, net of renunciation commitments.

Liquidity and Capital Resources

As at March 31, 2006, the Company has a working capital deficiency of \$5.6 million. Subsequent to the quarter end, the Company issued 2.1 million shares in a non-brokered private placement, raising aggregate gross proceeds of \$5.075 million. In addition, and also subsequent to the quarter end, the Company has negotiated a development loan of \$2.6 million with its financial institution. This facility, coupled with the revolving production loan already in place, brings the overall debt capacity of the Company to \$3.0 million. To date, the debt facilities have not been utilized.

Liquidity and Capital Resources (continued)

The Company has earned positive funds flow from operations since the acquisition of producing properties in 2003. The Company has realized a significantly increased rate of funds flow with the commencement of production from its southwest Saskatchewan field in the second quarter of 2006.

Outlook

Subsequent to the quarter end, the Company completed the construction of its 50% working interest gas plant and tied in and commenced production from the initial wells drilled in southwest Saskatchewan. The plant will be expanded to handle additional production as it is required. The Company plans to drill a minimum of 30 wells at southwest Saskatchewan in the winter 2006/07. Production from these wells will also be directed through the facility.

In addition, over the next 24 months, the Company plans to continue to develop its three-phase exploration and development project at Pembina in Alberta, where the Company is targeting oil along the Pembina Nisku fairway. The Company has between 6.9% and 12.5% working interests in the first phase and 18.75% to 25.0% working interests in the second and third phases. Successful wells in this area have produced in excess of 1,000 boes per day of oil and associated natural gas.

The Company's management continues to pursue expansion opportunities to create shareholder value.

Dated: May 29, 2006

IRONHORSE OIL & GAS INC.

Balance Sheets

	March 31 2006	December 31 2005
	<i>(unaudited)</i>	
ASSETS		
Current Assets:		
Cash	\$ 1,824,628	\$ 3,719,903
Accounts receivable	83,784	47,323
Prepaid expenses	59,620	26,048
	1,968,032	3,793,274
Property, plant and equipment (note 1)	12,938,401	3,730,982
	\$ 14,906,433	\$ 7,524,256
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 7,554,019	\$ 317,957
Asset retirement obligation (note 2)	202,851	113,140
Future income taxes (note 3)	432,929	413,929
	8,189,799	845,026
Shareholders' equity:		
Share capital (note 4)	9,639,965	9,620,765
Contributed surplus (note 4)	434,903	320,044
Deficit	(3,358,234)	(3,261,579)
	6,716,634	6,679,230
	\$ 14,906,433	\$ 7,524,256

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Statements of Operations and Deficit
For the Three Months Ended March 31,
(unaudited)

	2006	2005
Revenue	\$ 101,384	\$ 106,947
Royalties	(23,544)	(28,877)
	77,840	78,070
Other income	22,386	1,822
	100,226	79,892
Expenses		
Operations	25,503	15,820
General and administration	19,042	17,305
Stock-based compensation	122,658	8,041
Depletion, depreciation and amortization	10,678	13,461
	177,881	54,627
Income (loss) before income taxes	(77,655)	25,265
Future income tax expense	(19,000)	–
Net income (loss)	(96,655)	25,265
Deficit, beginning of the period	(3,261,579)	(3,597,055)
Deficit, end of the period	\$ (3,358,234)	\$ (3,571,790)
Net income (loss) per share		
Basic	\$ (0.01)	\$ –
Diluted	\$ (0.01)	\$ –

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Statements of Cash Flows
For the Three Months Ended March 31,
(unaudited)

	2006	2005
Cash flows from operations		
Net income (loss)	\$ (96,655)	\$ 25,265
Add (deduct) items not affecting cash		
Depletion, depreciation and amortization	10,678	13,461
Future income tax expense	19,000	-
Stock-based compensation	122,658	8,041
Funds flow from operations	55,681	46,767
Abandonment costs incurred	-	(4,929)
Changes in non-cash working capital	(110,700)	27,040
	(55,019)	68,878
Cash flows from financing activities		
Exercise of stock options	11,401	-
Cash flows from investing activities		
Expenditures on property, plant and equipment	(9,128,386)	-
Changes in non-cash working capital	7,276,729	-
	(1,851,657)	-
Net increase (decrease) in cash during the period	(1,895,275)	68,878
Cash, beginning of the period	3,719,903	396,871
Cash, end of the period	\$ 1,824,628	\$ 465,749

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Three Months Ended March 31, 2006
(unaudited)

These financial statements have been prepared by management and have not been audited or otherwise reviewed by an external auditor and should be read in conjunction with the Company's financial statements for the quarter ended March 31, 2006 and the Company's audited financial statements for the year ended December 31, 2005.

1. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2006		December 31, 2005	
	Cost	Accumulated Depletion and Amortization	Net	Net
Petroleum and natural gas properties	\$ 13,103,800	\$ 165,399	\$12,938,401	\$ 3,730,982

The Company has capitalized \$111,756 of general and administrative costs in the period ended March 31, 2006 (December 31, 2005 – nil). The cost of unproved properties excluded from depletion at March 31, 2006 was \$12,653,973 (December 31, 2005 – \$3,438,958).

2. ASSET RETIREMENT OBLIGATION

	Three months ended March 31,	
	2006	2005
Asset retirement obligation, beginning of the period	\$ 113,140	\$ 109,151
Incurred in the period	86,630	–
Expenditures made on asset retirements	–	(4,929)
Revisions	–	540
Change in present value during period	3,081	1,684
Asset retirement obligation, end of the period	\$ 202,851	\$ 106,446

The total undiscounted amount of cash flows required to settle the obligations as measured at March 31, 2006 is estimated to be \$485,926 (December 31, 2005 - \$163,921). These obligations are expected to be settled at various times over the 18 years subsequent to March 31, 2006. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 8% during the period ended March 31, 2006 (December 31, 2005 – 8%) and the estimated inflation rate used to project future costs was 1.5% (December 31, 2005 – 1.5%).

IRONHORSE OIL & GAS INC.

Notes to the Financial Statements

For the Three Months Ended March 31, 2006

(unaudited)

3. INCOME TAXES

The Company has non-capital losses of approximately \$500,000 and unused resource tax pools of approximately \$11 million available for deduction in calculating taxable income in future periods.

Pursuant to the Company's share issue in the year ended December 31, 2005, the Company has committed to renounce to investors qualifying expenditures incurred prior to December 31, 2006 of \$2,400,000. As at March 31, 2006, the Company has incurred all of the qualifying expenditures relating to this commitment.

4. SHARE CAPITAL

The Company has authorized unlimited common shares and unlimited first preferred shares. The outstanding share capital is as follows:

(a) Common Shares

	Three months ended March 31, 2006	
	Number	Amount
Balance, beginning of the period	14,871,558	\$ 9,620,765
Issued upon exercise of stock options	30,001	19,200
Balance, end of the period	14,901,559	\$ 9,639,965

As at March 31, 2006, the Company is holding 343,049 common shares in escrow (December 31, 2005 – 679,049 shares) arising from two escrow agreements of 336,000 and 7,049 shares (December 31, 2005 – 672,000 and 7,049 shares). The former agreement provided for the escrow of the 2,240,000 shares issued pursuant to an asset purchase and sale closed June 27, 2003. The terms of the escrow agreement include a release of the shares from escrow over a three year period ending August 5, 2006. The latter agreement provides for the escrow of 7,049 shares subject to release upon approval by regulatory authorities.

Subsequent to the quarter ended March 31, 2006, the Company issued 2.1 million shares in a non-brokered private placement for aggregate proceeds of \$5.075 million. The private placement included 700,000 shares issued on a flow through basis. The total costs incurred on the placement approximated \$60,000, or 1.2% of the entire issue.

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Three Months Ended March 31, 2006
(unaudited)

4. SHARE CAPITAL (continued)

(b) Stock Options

Under the Company's stock option plan, common share purchase options may be granted to directors, officers, staff and consultants. The Company may grant options to purchase common shares up to a maximum of 10% of the number of issued and outstanding common shares. The granted common share purchase options are subject to vesting requirements as determined upon granting and are subject to expiry five years following the date granted.

	Period ended March 31, 2006	
	Number Outstanding	Weighted Avg Price Per Share
Balance, beginning of the period	1,483,500	\$ 0.884
Exercised during the period	(30,001)	0.380
Balance, end of the period	1,453,499	\$ 0.894
Exercisable, end of the period	451,165	\$ 0.290

(c) Contributed Surplus

	Period ended March 31 2006	Period ended March 31 2005
Contributed surplus, beginning of the period	\$ 320,044	\$ 41,074
Stock-based compensation charged during the period	122,658	8,041
Charges reclassified to share capital for stock options exercised during the period	(7,799)	-
Contributed surplus, end of the period	\$ 434,903	\$ 49,115

IRONHORSE OIL & GAS INC.

Notes to the Financial Statements

For the Three Months Ended March 31, 2006

(unaudited)

5. RELATED PARTY TRANSACTIONS

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

	Period ended March 31,	
	2006	2005
Administrative services contract	\$ 114,897	\$ 2,158

As at March 31, 2006, \$139,631 (December 31, 2005 – \$24,734) related to these services was included in accounts payable and accrued liabilities.

6. DEBT FACILITY

The Company has a revolving production loan facility to a maximum of \$400,000 with a financial institution of which no amounts have been drawn as at March 31, 2006 (December 31, 2005 – nil). The amount outstanding bears interest at the financial institution's prime rate. The facility is secured by a floating charge debenture providing coverage over all present and after acquired property of the Company.

Subsequent to the quarter ended March 31, 2006, the Company negotiated a development loan facility in the amount of \$2.6 million with a financial institution. The facility bears interest at the financial institution's prime rate plus 0.75%.

BOARD AND MANAGEMENT

Directors

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

Officers

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

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