

IRONHORSE

OIL & GAS INC.



First Quarterly Report
March 2007

HIGHLIGHTS

	Three months ended March 31,		
	2007	2007 vs 2006	2006
Production:			
Gas (thousand cubic feet per day)	2,493	+3,735%	65
Oil and NGLs (barrels per day)	5	-44%	9
Boe (barrels oil equivalent per day)	421	+2,005%	20
Revenue (\$)	1,515,891	+1,395%	101,384
Funds flow from operations (\$)	572,410	+928%	55,681
Net loss (\$)	(181,407)	-88%	(96,655)
Per diluted share amounts:			
Funds flow from operations (\$/share)	\$0.03	+650%	\$0.004
Net income (loss) (\$/share)	(\$0.01)	-67%	(\$0.006)
Number of shares outstanding:			
Basic weighted average	18,886,374	+27%	14,884,762
Diluted weighted average	19,548,380	+24%	15,742,446
End of period	19,797,809	+33%	14,901,559

Ironhorse Oil & Gas Inc. is uniquely positioned as an emerging petroleum and natural gas company with significant multi-year development projects offering continued year-over-year production growth. The Company's primary goal is to increase net asset value per share through disciplined capital investment and the pursuit of strategic initiatives that optimize the Company's asset base and position in the oil and gas marketplace.

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, 2007 and the Company's audited financial statements and related notes for the year ended December 31, 2006. 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.

This discussion and analysis may contain forward-looking information that is subject to known and unknown risks, uncertainties and other factors. Readers are cautioned that actual future results, performance or achievements may be different from those expressed or implied and the difference may be material.

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 from the statement of operations plus non-cash expenses, less abandonment costs incurred and excludes the change in non-cash operating working capital 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 and Internal Controls for Financial Reporting

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, 2007 and in respect of the period then ended.

The Chief Executive Officer and Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at March 31, 2007 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. As the Company has limited segregations of duties, it relies on key individuals as an integral part of this control process.

Business Environment and Risks

In addition to being impacted by operational risks normally associated with oil and gas operations, the Company is directly affected by commodity price fluctuations, particularly on sales volumes that the Company has not hedged. In the quarter ended March 31, 2007, the Company's natural gas production represented 99% of its boe production and is impacted significantly more by fluctuations in natural gas prices than in oil price changes.

	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05	Q3 '05	Q2 '05
Nymex West Texas Intermediate for crude oil (US\$/bbl)	\$58.24	\$57.75	\$70.66	\$70.67	\$63.26	\$60.14	\$63.18	\$53.18
Edmonton posted reference for crude oil (C\$/bbl)	67.16	65.07	79.23	78.34	68.91	71.74	76.81	66.09
Henry Hub for natural gas (US\$/mmbtu)	7.17	7.26	6.13	6.70	7.85	12.94	9.69	6.95
AECO-C for natural gas (C\$/mcf)	7.37	6.91	5.71	6.07	7.53	11.68	9.38	7.37

Business Environment and Risks (continued)

In the Company's reserve report for the year ended December 31, 2006, GLJ Petroleum Consultants ("GLJ") used certain forward price projections. On April 1, 2007, GLJ updated that forecast as follows:

		Report Date	2008	Q4 '07	Q3 '07	Q2 '07	Q1 '07
West Texas Intermediate	(US\$/bbl)	Jan 1, 2007	\$60.00	\$62.00	\$62.00	\$62.00	\$62.00
		Apr 1, 2007	60.00	62.00	62.00	62.00	58.00
		% Change	0%	0%	0%	0%	-6%
Edmonton posted reference	(C\$/bbl)	Jan 1, 2007	68.00	70.25	70.25	70.25	70.25
		Apr 1, 2007	68.00	70.25	70.25	70.25	64.50
		% Change	0%	0%	0%	0%	-8%
Henry Hub	(US\$/mmbtu)	Jan 1, 2007	7.35	8.00	7.00	7.00	7.00
		Apr 1, 2007	7.50	8.00	7.00	7.00	6.96
		% Change	+2%	0%	0%	0%	-1%
AECO-C	(C\$/mcf)	Jan 1, 2007	7.45	7.85	6.95	6.95	7.00
		Apr 1, 2007	7.65	7.85	7.00	7.00	7.39
		% Change	+3%	0%	+1%	+1%	+6%

In the quarter ended March 31, 2007, the Company completed its collar contract for the sale of 630 mcf per day. This contract had commenced November 1, 2006 and extended to March 31, 2007 and provided for the sale of natural gas to a third party at a market price with a floor of \$7.95 per mcf and a ceiling of \$11.00 per mcf during the contract term. This contract, costless to the company, earned \$36,300 in 2006 and \$35,400 in 2007 above the sales price otherwise obtainable. A \$90,000 value was recorded as revenue in December of 2006 to reflect the market value of the instrument at that date. This figure was reversed in 2007.

Subsequent to the quarter end and coincident with the expiry of the contract described above, the Company entered into a collar contract providing for the sale of 1,010 mcf per day for the period of April 1, 2007 to March 31, 2008 with a floor of \$6.95 per mcf and a ceiling of \$9.35 per mcf.

Operations

The Company became a petroleum and natural gas producer in 2003. In the second quarter of 2006, the Company began producing natural gas from a new field in southwest Saskatchewan in a field at Shackleton. The Company's previous communications referred to this field as Southwest Saskatchewan. The Company has a 50% working interest throughout this field, in both the production and the infrastructure. In 2006, the Company produced natural gas from seven wells. In the first quarter of 2007, the number of producing wells grew from seven to 32 wells.

Operations (continued)

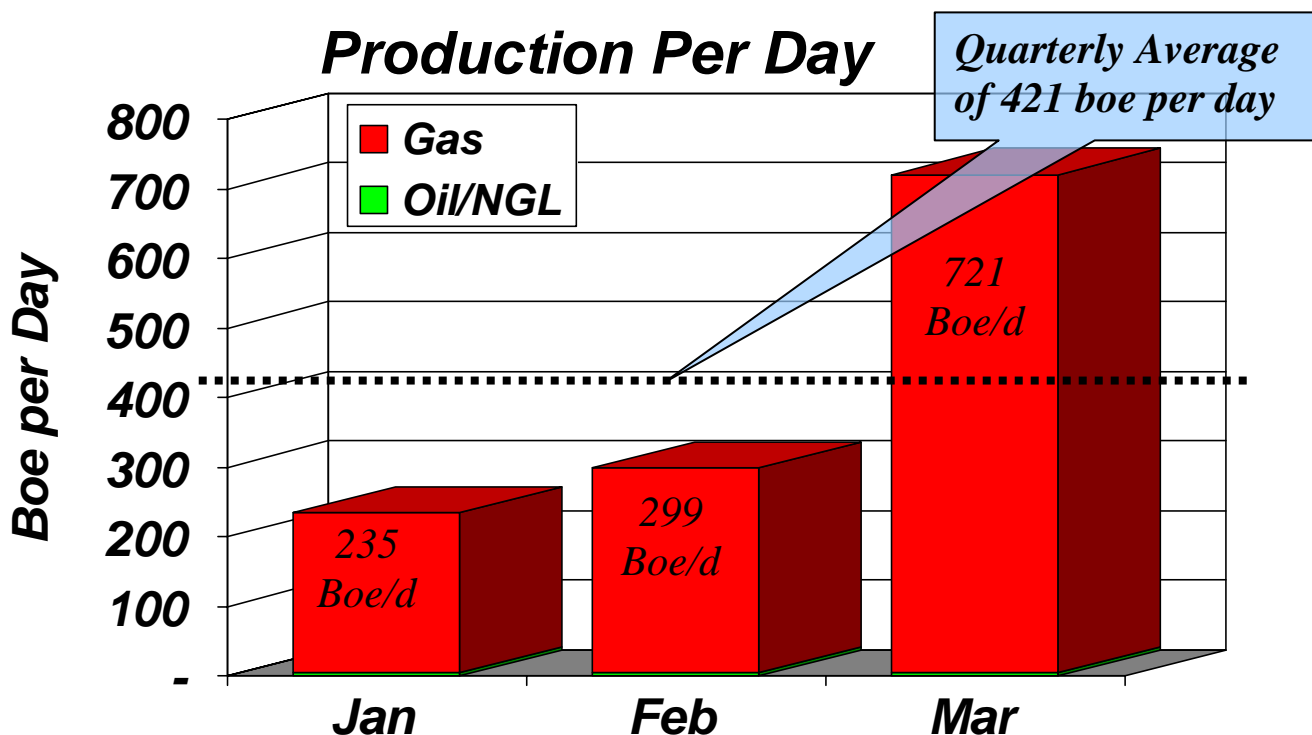
Selected Quarterly Operating Data								
	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05	Q3 '05	Q2 '05
Crude oil and natural gas liquids production (barrels)	445	681	717	787	817	922	969	1,024
Natural gas production (mcf)	224,402	129,664	177,677	110,880	5,870	6,272	6,460	6,630
Barrels oil equivalent (boe)	37,845	22,292	30,330	19,267	1,795	1,967	2,046	2,129
Per day (boe per day)	421	242	330	212	20	21	22	23
Price per barrel (\$/barrel)	\$58.54	\$58.46	\$73.52	\$73.38	\$59.23	\$62.14	\$69.36	\$62.25
Price per mcf (\$/mcf)	6.64	7.22	5.25	5.31	9.03	12.79	9.86	8.23
Price per boe (\$/boe)	40.06	43.78	32.49	33.58	56.48	69.89	63.98	55.56
Royalty rate	41.3%	36.9%	43.4%	43.5%	23.2%	23.3%	23.3%	26.3%
Operating costs per boe	\$4.37	\$4.14	\$4.06	\$3.94	\$14.21	\$12.39	\$13.98	\$9.43
General and admin per boe	3.20	5.55	1.65	4.97	10.61	35.27	9.14	15.70
Interest per boe	\$0.36	\$0.52	-	-	-	-	-	-
Revenue	\$1,515,891	\$975,898	\$985,517	\$646,935	\$101,384	\$137,480	\$130,896	\$118,293
Operating netback	725,068	523,475	435,233	289,586	52,337	81,112	71,757	67,133
Funds flow from operations	572,410	388,414	394,680	210,953	55,681	38,535	78,614	36,403
Net income (loss)	(181,407)	(208,302)	(277,688)	(150,176)	(96,655)	291,045	4,841	14,325
Basic and diluted net income (loss) per share	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$0.02	-	-
Weighted avg. shares								
Basic (000s)	18,886	17,065	17,053	16,350	14,885	14,872	14,872	8,937
Diluted (000s)	18,886	17,065	17,053	16,350	14,885	15,723	15,709	9,430
Assets at period end (000s)	\$27,108	\$16,849	\$14,664	\$15,804	\$14,906	\$7,524	\$7,339	\$7,181

Production, Prices and Revenue

	Three Months Ended March 31,		%Change
	2007	2006	
Production (boe/d) ⁽¹⁾	421	20	+2,005%
Revenue (\$)	\$1,515,891	\$101,384	+1,395%
Price (\$/boe) ⁽¹⁾	\$40.06	\$56.48	-29%

⁽¹⁾Natural gas is converted to barrels of oil equivalent on a 6:1 basis.

The Company's oil and gas mix moved from 55% natural gas production in the first quarter of 2006 to 99% natural gas production in the first quarter of 2007. As a result of this shift and that the price per boe for natural gas is lower than for oil, the average price per boe dropped by 29% in the current quarter as compared to the first quarter of 2006. In spite of this price adjustment, the 2,005% growth in production volumes more than offset the price decline, resulting in a 1,395% increase in total revenue. Both production and revenue figures are quarterly records for the Company.



Production during the quarter varied significantly as new wells from the Shackleton field were brought on stream. The Company was able to tie-in wells rapidly following drilling due to the pipeline and gathering system that was installed in the fourth quarter of 2006.

Royalties

	Three Months Ended March 31,		
	2007	2006	%Change
Royalties (\$)	\$625,604	\$23,544	+2,557%
As a % of revenue	41.3%	23.2%	+78%
Per boe	\$16.53	\$13.12	+26%

The Shackleton field that is providing the current growth in production for the Company is burdened with a 15% overriding royalty in addition to crown royalty rates. This, coupled with a slightly higher crown rate applied to the higher per well rate production, results in a higher overall royalty rate.

Operations (continued)

Operating Expense

	Three Months Ended March 31,		%Change
	2007	2006	
Routine operating expense	\$131,546	\$25,503	+416%
Workover expenses	33,673	–	nm
Total operating expense	\$165,219	\$25,503	+548%
Per boe	\$4.37	\$14.21	-69%

The cost of operations increased due to the increase in production from the Company's Shackleton field. The Company owns its own infrastructure on location, including flowlines, gas gathering and gas plant. As a result, the operating costs only rose by 548% when production rose by over 2,000%. This operating cost per unit saving represents a 69% cut in the Company's operating expenses per boe.

During the quarter, the Company engaged in workover activity on wells that it had drilled early in 2006. These activities added \$0.89 per boe to the operating costs in the current quarter.

Operating Netback

	Three Months Ended March 31,		%Change
	2007	2006	
Operating netback	\$725,068	\$52,337	+1,285%
Revenue per boe	\$40.06	\$56.48	-29%
Royalties per boe	(16.53)	(13.12)	+26%
Operating expense per boe	(4.37)	(14.21)	-69%
Operating netback per boe	\$19.16	\$29.15	-34%
Gross margin (% of revenue)	48%	52%	-8%

The cost savings in operating expenses from the infrastructure ownership in Shackleton more than offsets the higher royalty costs for the production in that field and partially offsets the lower revenue per boe received due to a shift to a higher natural gas portion of the Company's production. The Company's operating netback is very sensitive to fluctuations in natural gas pricing. A \$1.00 per mcf increase in the Company's natural gas sales price, based on the production rates in the current quarter, results in an operating netback increase of approximately \$130,000 per quarter.

Overhead

	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05	Q3 '05	Q2 '05
Administrative services fee	\$202,811	\$76,878	\$51,637	\$54,024	\$114,897	\$24,734	\$9,746	\$4,272
Other G&A	64,904	86,961	7,283	65,899	15,901	44,669	8,945	29,152
Amounts capitalized	(146,463)	(40,045)	(9,026)	(24,187)	(111,756)	–	–	–
G&A expense	\$121,252	\$123,794	\$49,894	\$95,736	\$19,042	\$69,403	\$18,691	\$33,424

The Company was charged \$202,811 in the current quarter by Grizzly Resources Ltd., a related company by virtue of common management. The fee was for technical and administrative services relating to the Company's capital expenditure program and its operations in the current quarter. The Company's capital expenditures in the current quarter were just under \$10 million, a record high for the Company.

Overhead (continued)

General and Administration

	Three Months Ended March 31,		%Change
	2007	2006	
General and administration (\$)	\$121,252	\$19,042	+537%
Per boe	\$3.20	\$10.61	-70%

The general and administration costs for the Company this quarter have increased by 537% over the same quarter in 2006. This cost increase, when compared to the over 2,000% growth in production, results in a cost per unit of production cut of 70% from the general and administration cost per boe of the first quarter of 2006.

Stock Based Compensation

	Three Months Ended March 31,		%Change
	2007	2006	
Stock based compensation (\$)	\$133,905	\$122,658	+9%
Per boe	\$3.54	\$68.33	-95%

Stock based compensation charges in the current quarter are slightly higher than those charged in the same quarter of 2006. The relatively insignificant cost difference, coupled with the Company's large production growth, results in a cost per boe reduction of 95%. Due to the vesting nature of the options granted over the past two years, management expects the cost of stock based compensation to begin to decrease in the third quarter of 2007.

Interest Expense

	Three Months Ended March 31,		%Change
	2007	2006	
Interest expense (\$)	\$13,484	–	<i>nm</i>
Per boe	\$0.36	–	<i>nm</i>

The Company has a revolving production loan facility with a financial institution. The Company may borrow up to \$6,000,000 under this facility. As at March 31, 2007, the Company had borrowed \$1,120,000 of the loan facility. Subsequent to the quarter ended March 31, 2007, the Company made significant draws on the facility to pay its payable obligations as they became due. Management expects that the Company will be able to negotiate a higher debt limit now that cash flow from the first quarter drilling program has commenced, but will likely be paying the credit facility down over the next three quarters.

Depletion and Amortization

	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05	Q3 '05	Q2 '05
Depletion	659,635	537,872	683,264	221,724	7,597	8,240	10,836	11,410
Asset retirement expense	22,484	1,112	2,854	2,906	3,081	1,759	1,764	(707)
Depletion per boe	17.43	24.13	22.53	11.51	4.23	4.19	5.30	5.36

The Company's depletion and depreciation rate was positively impacted by the Company's results from its drilling program at Shackleton this quarter with a slight offset due to the Northeast British Columbia well that was drilled and abandoned.

Depletion and Amortization (continued)

Depletion and Amortization

	Three Months Ended March 31,		%Change
	2007	2006	
Depletion expense (\$)	\$659,635	\$7,597	+8,583%
Asset retirement expense (\$)	22,484	3,081	+630%
Total depletion and amortization	\$682,119	\$10,678	+6,288%
Per boe	\$18.02	\$5.95	+203%

The Company's depletion expense rose by 8,583% in the current quarter as compared to the same quarter of 2006. This increase in depletion expense is caused by an increase in the Company's production combined with an increased depletion rate. The Company's depletion rate has risen from the first quarter of 2006 due to higher finding costs at the Company's field in Shackleton and capital charges at Pembina and Northeast British Columbia that have been added to the depletion pool but have not yet added reserves. The Company has significant operations in all three of these areas and anticipates a reducing depletion rate as drilling continues and reserves are added throughout.

The current quarter asset retirement expense is 630% higher than the charge in the same quarter of 2006. This is largely due to a revision in the discount rate used to estimate the value of the asset retirement obligation. The discount rate, a measure of the Company's credit-adjusted risk-free cost of capital, was lowered from 8.0% to 7.75% in the quarter with the resulting increase in asset retirement obligation liability charged to expense in the current quarter.

Equity Financing

The Company closed a non-brokered private placement on January 30, 2007 where it issued 2,718,750 common shares including 906,250 common shares issued on a flow-through basis. The issue, priced at \$2.00 per common share and \$2.40 per common share issued on a flow-through basis, raised gross proceeds of \$5,800,000. The total costs incurred for the offering were \$46,865 or 0.8% of the entire issue and included finders fees of \$2,304 paid for the selling of the shares.

The Company's directors and officers purchased a total of 411,108 shares through the private placement, representing 15.1% of the entire issue. Proceeds from the issue were used to fund the expansion of acreage and the drilling of wells at Shackleton and Northeast British Columbia.

Capital Expenditures

The current quarter marks the most active capital expenditure period in the Company's history. The Company participated in the drilling of 31 wells at Shackleton, all of which the Company has a 50% working interest, with a success rate of 100%. Twenty-five of these wells have been brought fully onto production by the end of the first quarter. The Company also expanded its gas plant to accommodate the additional production.

In addition, the Company expanded its land base at Shackleton by 5,160 acres (2,580 net acres) in the midst of its acreage position. This expansion provides the Company with 36 highly prospective drilling locations in the area. These acquisitions represented the second and third stages of land acquisition for the Company in the area. The Company is looking to continue its expansion at Shackleton in a fourth and fifth stage that is expected to be completed later this year and in 2008.

In Northeast British Columbia, the Company drilled a natural gas prospect. Although natural gas was discovered, the quantity of the reserve was insufficient to warrant facility costs and the well was abandoned.

Capital Expenditures (continued)

Capital Expenditures

	Three Months Ended March 31,		%Change
	2007	2006	
Acquisition	\$1,983,191	\$2,246,950	-12%
Seismic	118,212	90,657	+30%
Drilling	7,115,464	2,583,282	+175%
Facilities	740,241	4,207,497	-82%
Total	\$9,957,108	\$9,128,386	+9%

The Company's capital activity this quarter was its most significant to date. With much of the facilities constructed at Shackleton, the Company was able to apply more significant efforts to drilling and completed a 31 well drilling program in Shackleton and an additional well at Northeast British Columbia.

(\$000s)	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05	Q3 '05	Q2 '05
Northeast British Columbia	1,452	1	-	-	-	-	-	-
Pembina	32	5	38	124	558	701	206	2,527
Shackleton	8,500	3,394	201	1,023	8,570	-	-	-
Minor Areas	-	-	-	-	-	-	-	1
Total	9,984	3,400	239	1,147	9,128	701	206	2,528

Property Development

	Three Months Ended March 31,		%Change
	2007	2006	
Northeast British Columbia	\$1,451,235	-	<i>nm</i>
Pembina	31,338	557,840	-94%
Shackleton	8,474,535	8,570,546	-1%
Minors	-	-	<i>nm</i>
Total (\$)	\$9,957,108	\$9,128,386	+9%

The development of the field in Shackleton dominated the capital expenditure program in the current quarter, with the Company devoting 85% of its capital expenditures toward this project. In just over one year, the Company has already constructed a gas plant capable of 14 mmcf per day, a 45 mile gathering system and has drilled a total of 38 wells. All of these wells were successful and thirty-two are fully on production with the remaining six to be brought on stream in the first quarter of 2008.

The Company has 36 locations available for a drilling program this coming winter. Management feels that the 100% success rate observed on the first 38 wells will continue and that the Shackleton area will be expanded further for development to take place over the next two years.

Although the first well at Northeast British Columbia resulted in a non-commercial well, the Company has shot proprietary seismic over another portion of the Northeast British Columbia area and is evaluating a new formation for potential natural gas. Offsetting wells to this acreage have been successful and the Company is determining whether it will proceed to drill a shallow target using 3 dimensional seismic to select its location. The Company will have a 12.5% working interest on 13 sections of land should it participate in the drilling of the first well.

The Company has also initiated the licensing process for Nisku oil target locations in the Company's Pembina acreage. Successful wells near the Company's lands have been producing in excess of 1,000 barrels of oil per day. The Company has between 7% and 25% on these lands.

Taxation

The Company, pursuant to a flow-through share component of an equity issue in the second quarter of 2006, committed to renouncing qualifying expenditures of \$1,925,000 to be incurred prior to December 31, 2007. At March 31, 2007, the Company had incurred the qualifying expenditures sufficient to meet this commitment.

The Company, pursuant to the flow-through share component of its equity issue in the first quarter of 2007, committed to renouncing additional qualifying expenditures of \$2,175,000 to be incurred prior to December 31, 2008. The Company fully expects to meet its obligations under this commitment.

As of March 31, 2007, the Company has approximately \$23 million of unused non-capital losses and resource tax pools.

Liquidity and Capital Resources

As at March 31, 2007, the Company has a working capital deficiency of \$8.0 million. The Company expects to complete successful negotiations with its financial institution to increase its credit line. In addition, the Company plans to pay down debt over the next three quarters from operating funds flow. Funds flow for the Company has increased significantly and management expects this trend to continue year over year.

Outlook

The Company commenced production from a total of 32 wells at Shackleton this quarter versus 7 wells in the fourth quarter of 2006. As a direct result from this, the Company had produced approximately 900 boe per day in April and had 210 boe per day behind pipe awaiting tie-in scheduled for the first quarter of 2008. The Company expects that production will approximate 700 boe per day for 2007, more than triple 2006 levels, and that production in 2008 could double the 2007 level, based on development locations that have historically been successful at a rate of 100%. These targets are anticipated based on existing lands and infrastructure at Shackleton and the Company requires no further financing to complete this project.

In addition, the Company plans to license five wells at Pembina where it will be drilling Nisku oil targets. No additional land is available in the area and management feels that it has holdings in key locations along the Nisku fairway. The Company has between 7% and 25% working interests on 9,000 acres in the fairway. Several offset well locations have been planned by the Company's competitors in the area directly adjacent to the Company's land position. With 3 dimensional seismic, the industry has achieved a 40% success rate in the area to date and wells with production in excess of 1,000 barrels per day have been successfully drilled in offset locations.

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

Dated: May 23, 2007

IRONHORSE OIL & GAS INC.

Balance Sheets

	March 31 2007	December 31 2006
	<i>(unaudited)</i>	
ASSETS		
Current Assets:		
Cash	\$ 207,711	\$ 8,674
Accounts receivable	937,770	398,766
Prepaid expenses	17,215	38,902
	1,162,696	446,342
Property, plant and equipment (note 1)	25,945,314	16,402,488
	\$ 27,108,010	\$ 16,848,830
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,008,733	\$ 2,977,699
Revolving Production Loan	1,120,000	1,806,000
	9,128,733	4,783,699
Asset retirement obligation (note 2)	564,974	323,037
Future income taxes (note 3)	737,340	788,701
	10,431,047	5,895,437
Shareholders' equity:		
Share capital (note 4)	19,868,395	14,093,637
Contributed surplus (note 4)	984,375	854,156
Deficit	(4,175,807)	(3,994,400)
	16,676,963	10,953,393
	\$ 27,108,010	\$ 16,848,830

See accompanying notes to the financial statements.

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

	2007	2006
Revenue	\$ 1,515,891	\$ 101,384
Royalties	(625,604)	(23,544)
	890,287	77,840
Other income	7,978	22,386
	898,265	100,226
Expenses		
Operations	165,219	25,503
General and administration	121,252	19,042
Interest	13,484	-
Stock-based compensation	133,905	122,658
Depletion, depreciation and amortization	682,119	10,678
	1,115,979	177,881
Income (loss) before income taxes	(217,714)	(77,655)
Future income tax recovery (expense)	36,307	(19,000)
Net income (loss)	(181,407)	(96,655)
Deficit, beginning of the period	(3,994,400)	(3,261,579)
Deficit, end of the period	\$ (4,175,807)	\$ (3,358,234)
Net income (loss) per share		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (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)

	2007	2006
Cash flows from operations		
Net income (loss)	\$ (181,407)	\$ (96,655)
Add (deduct) items not affecting cash		
Depletion, depreciation and amortization	682,119	10,678
Future income tax expense	(36,307)	19,000
Stock-based compensation	133,905	122,658
Abandonment costs incurred	(25,900)	-
Funds flow from operations	572,410	55,681
Changes in non-cash working capital	152,414	(110,700)
	724,824	(55,019)
Cash flows from financing activities		
Exercise of stock options	2,883	11,401
Decrease in bank loan	(686,000)	-
Issuance of common shares	5,753,135	-
	5,070,018	11,401
Cash flows from investing activities		
Expenditures on property, plant and equipment	(9,957,108)	(9,128,386)
Changes in non-cash working capital	4,361,303	7,276,729
	(5,595,805)	(1,851,657)
Net increase (decrease) in cash during the period	199,037	(1,895,275)
Cash, beginning of the period	8,674	3,719,903
Cash, end of the period	\$ 207,711	\$ 1,824,628

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Period Ended March 31, 2007 and 2006

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, 2007 and the Company's audited financial statements for the year ended December 31, 2006.

1. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2007		December 31, 2006	
	Cost	Accumulated Depletion and Amortization	Net	Net
Petroleum and natural gas properties	\$ 28,213,208	\$ 2,267,894	\$25,945,314	\$ 16,402,488

The Company has capitalized \$146,462 of general and administrative costs in the period ended March 31, 2007 (December 31, 2006 – \$185,014). An estimate future capital cost of \$11,195,625 (December 31, 2006 – \$7,736,000), required for properties to which proven reserves have been attributed, has been added to property and equipment costs for depletion purposes. The cost of unproved properties excluded from depletion at March 31, 2007 was \$2,476,875 (December 31, 2006 – \$5,191,878).

2. ASSET RETIREMENT OBLIGATION

	Three months ended March 31,	
	2007	2006
Asset retirement obligation, beginning of the period	\$ 323,037	\$ 113,140
Incurred in the period	245,353	86,630
Expenditures made on asset retirements	(25,900)	–
Revisions	14,221	–
Change in present value during period	8,263	3,081
Asset retirement obligation, end of the period	\$ 564,974	\$ 202,851

The total undiscounted amount of cash flows required to settle the obligations as measured at March 31, 2007 is estimated to be \$1,824,585 (December 31, 2006 - \$869,910). These obligations are expected to be settled at various times over the 18 years subsequent to March 31, 2007. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 7.75% during the period ended March 31, 2007 (December 31, 2006 – 8%) and the estimated inflation rate used to project future costs was 1.5% (December 31, 2006 – 1.5%).

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Period Ended March 31, 2007 and 2006

3. INCOME TAXES

The Company has unused non-capital losses and resource tax pools of approximately \$23 million available for deduction in calculating taxable income in future periods.

Pursuant to the Company's share issue in the year ended December 31, 2006, the Company has committed to renounce to investors qualifying expenditures incurred prior to December 31, 2007 of \$1,925,000. As at March 31, 2007, the Company has incurred all of the qualifying expenditures relating to this commitment.

Pursuant to the Company's share issue in the quarter ended March 31, 2007, the Company has committed to renounce to investors qualifying expenditures incurred prior to December 31, 2008 of \$2,175,000.

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, 2007	
	Number	Amount
Balance, beginning of the period	17,067,392	\$ 14,093,637
Issued upon exercise of stock options	11,667	6,569
Issued during the period	1,812,500	3,625,000
Issued on a flow-through basis during the year	906,250	2,175,000
Share issue costs	–	(46,865)
Tax effect of share issue costs	–	15,053
Balance, end of the period	19,797,809	\$ 19,868,394

The Company closed a non-brokered private placement on January 30, 2007 where it issued 1,812,500 common shares at a price of \$2.00 per share plus 906,250 common shares issued on a flow-through basis at a price of \$2.40 per share. The gross proceeds from the issue amounted to \$5,800,000. The total cost of the issue was \$46,865, or 0.8% of the gross proceeds, and included finders fees paid of \$2,304 for the selling of the shares.

As at March 31, 2007, the Company is holding 7,049 common shares in escrow (December 31, 2006 – 7,049 shares) arising from an escrow agreement. The agreement provides for the escrow of 7,049 shares subject to release upon approval by regulatory authorities.

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Period Ended March 31, 2007 and 2006

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, 2007	
	Number Outstanding	Weighted Avg Price Per Share
Balance, beginning of the period	1,651,666	\$ 1.244
Exercised during the period	(11,667)	0.247
Cancelled during the period	(6,999)	1.114
Balance, end of the period	1,633,000	\$ 1.252
Exercisable, end of the period	864,833	\$ 0.626

(c) Contributed Surplus

	Period ended March 31 2007	Period ended March 31 2006
Contributed surplus, beginning of the period	\$ 854,156	\$ 320,044
Stock-based compensation charged during the period	133,905	122,658
Charges included in share capital during the period	(3,686)	(7,799)
Contributed surplus, end of the period	\$ 984,375	\$ 434,903

IRONHORSE OIL & GAS INC.

Notes to the Financial Statements

For the Period Ended March 31, 2007 and 2006

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,	
	2007	2006
Administrative services contract	\$ 202,564	\$ 114,897

As at March 31, 2007, \$199,912 (December 31, 2006 – \$76,878) 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 \$6,000,000 with a financial institution of which \$1,120,000 has been drawn as at March 31, 2007 (December 31, 2006 – \$1,806,000). The first \$3,000,000 of the amount outstanding bears interest at the financial institution's prime rate and the balance bears interest at the financial institution's prime rate plus 0.75%. The facility is secured by a floating charge debenture providing coverage over all present and after acquired property of the Company.

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, VP & Corporate Secretary

EXTERNAL AUDITORS

Kenway Mack Slusarchuk Stewart LLP

EXTERNAL ENGINEERS

GLJ Petroleum Consultants

FINANCIAL INSTITUTION

Scotiabank

LEGAL

Burnet, Duckworth & Palmer LLP

STOCK EXCHANGE

TSX Venture Exchange
Symbol: IOG

TRANSFER AGENT

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