

IRONHORSE

OIL & GAS INC.



Third Quarterly Report
September 2007

HIGHLIGHTS

	3 months ended September 30			9 months ended September 30		
	2007	2007 vs 2006	2006	2007	2007 vs 2006	2006
Production:						
Gas (thousand cubic feet per day)	4,428	+129%	1,931	3,991	+270%	1,078
Oil and NGLs (barrels per day)	10	+25%	8	7	-22%	9
Boe (barrels oil equivalent per day)	748	+127%	330	672	+257%	188
Revenue (\$)	2,168,909	+120%	985,517	6,805,954	+293%	1,733,836
Funds flow from operations (\$)	893,995	+127%	394,680	2,791,947	+317%	669,554
Net loss (\$)	(252,726)	+13%	(290,188)	(549,588)	-2%	(537,019)
Capital expenditures (\$)	243,804	+2%	238,628	10,570,196	+1%	10,513,770
Total assets, end of period (\$)	25,271,324	+72%	14,664,181	25,271,324	+72%	14,664,181
Per diluted share amounts:						
Production (Boe/thousand shares)	3.420	+102%	1.692	9.192	+204%	3.024
Funds flow from operations (\$/share)	\$0.044	+100%	\$0.022	\$0.140	+259%	\$0.039
Net loss (\$/share)	(\$0.013)	+19%	(\$0.016)	(\$0.028)	+13%	(\$0.032)
Number of shares outstanding:						
Basic weighted average	19,557,369	+15%	17,052,881	19,385,448	+20%	16,103,763
Diluted weighted average	20,112,365	+12%	17,922,583	19,958,640	+17%	16,996,117
End of period	19,524,143	+14%	17,054,892	19,524,143	+14%	17,054,892

FURTHER HIGHLIGHTS

- 98% of Ironhorse production is from Saskatchewan and unaffected by recent royalty changes announced in Alberta
- Third quarter 2007 production levels are 209% higher than exit 2006 levels
- Operating expense rate of \$2.49 per boe was recorded in the third quarter, one of the lowest rates in the industry

Ironhorse Oil & Gas Inc. is uniquely positioned as a junior 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 periods ended September 30, 2007, June 30, 2007, 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

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. The financial data presented has been otherwise prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

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 September 30, 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 September 30, 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

Production by Province

Province	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Saskatchewan production (boe/d)	732	312	+135%	658	169	+289%
Alberta production (boe/d)	16	18	-11%	14	19	-26%
Total production (boe/d)	748	330	+127%	672	188	+257%

Subsequent to the third quarter of 2007, the government in Alberta announced sweeping changes to the royalty regime on the sales of petroleum and natural gas that are scheduled to commence January 1, 2009. The Company's production is dominated by sales from the Company's Shackleton field in Saskatchewan with 98% of third quarter sales attributed to that province. Royalties paid on sales from Saskatchewan production are not impacted by the Alberta government announcement.

The industry anticipates that a reduced number of wells will be drilled in Alberta due to reduced cash flow from recent lower natural gas commodity prices and from projects that are expected to be halted due to the impact of higher royalty rates prescribed for production in 2009 and beyond. This slow-down is expected to cause a reduction in the demand for drilling and associated services and the costs to provide these services. Accessing these services in a timely fashion can result in lower finding costs than may have been available in previous periods.

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 September 30, 2007, the Company's natural gas production represented more than 98% of its boe production and is impacted significantly more by fluctuations in natural gas prices than in oil price changes.

Business Environment and Risks (continued)

Selected Oil and Gas Price Benchmark Information

	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05
Nymex West Texas Intermediate for crude oil (US\$/bbl)	\$75.33	\$64.99	\$58.24	\$57.75	\$70.66	\$70.67	\$63.26	\$60.14
Edmonton posted reference for crude oil (C\$/bbl)	80.26	72.40	67.16	65.07	79.23	78.34	68.91	71.74
Henry Hub for natural gas (US\$/mmbtu)	6.24	7.64	7.17	7.26	6.13	6.70	7.85	12.94
AECO-C for natural gas (C\$/mcf)	\$5.22	\$7.10	\$7.37	\$6.91	\$5.71	\$6.07	\$7.53	\$11.68

In the quarter ended September 30, 2007, prices for natural gas sales reached the lowest quarterly average price since the Company commenced operations in 2003. In spite of this, the Company achieved its second highest quarterly cash flow in its history. Using an approach of effective cost management and the successful employment of costless collar sales contracts, the Company has been able to continue its growth and position itself to take advantage of anticipated improvements in commodity prices going forward.

In the current quarter, the Company benefited from a costless collar sales contract, effective for the period from April 1, 2007 to March 31, 2008. This contract provides the Company with a floor price of \$6.95 per mcf and a ceiling of \$9.35 per mcf on the sale of 1,010 mcf per day of natural gas that represents approximately 23% of the Company's working interest production for the second quarter. This contract is the second consecutive costless collar the Company has successfully employed. Prior to the second quarter of 2007, the Company utilized a costless collar sales contract that provided for the sale of 630 mcf per day of natural gas at a floor price of \$7.95 per mcf and a ceiling of \$11.00 per mcf for the period of November 1, 2006 to March 31, 2007.

Marketing Contracts

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Realized gains (losses)	\$192,061	-	n/a	\$252,759	-	n/a
Unrealized gains (losses)	(29,850)	-	n/a	(48,400)	-	n/a
Total impact on revenue	\$162,211	-	n/a	\$204,359	-	n/a
Revenue impact on price (\$/boe)	+\$2.36	-	n/a	+\$1.11	-	n/a

Operations

In the second quarter of 2006, the Company began producing natural gas from a new field called Shackleton, the Company's first production expansion since it commenced operations in 2003. 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 Shackleton wells. Since the second quarter of 2007, 32 producing wells have contributed in this area. The third quarter is marked as the Company's second highest quarterly and highest year-to-date production, revenue and cash flow figures. In the third quarter of 2007, the Company brought back on an oil well that had been suspended since the fourth quarter of 2006. The Company has an 8.4% working interest in the well. Also in the third quarter of 2007, benefiting from the Company's infrastructure ownership at Shackleton, the Company recorded an operating cost of \$2.49 per boe, the lowest rate in its history and one of the best in the industry.

Operations (continued)

Selected Quarterly Operating Data								
	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05
Production								
Crude oil and natural gas liquids (barrels)	899	539	445	681	717	787	817	922
Natural gas (mcf)	407,360	457,755	224,402	129,664	177,677	110,880	5,870	6,272
Barrels oil equivalent (boe)	68,792	76,832	37,845	22,292	30,330	19,267	1,795	1,967
Per day (boe per day)	748	844	421	242	330	212	20	21
Price								
Per barrel (\$/barrel)	\$73.68	\$68.84	\$58.54	\$58.46	\$73.52	\$73.38	\$59.23	\$62.14
Per mcf (\$/mcf)	5.16	6.74	6.64	7.22	5.25	5.31	9.03	12.79
Per boe (\$/boe)	31.53	40.62	40.06	43.78	32.49	33.58	56.48	69.89
Royalty rate	34.3%	38.8%	41.3%	36.9%	43.4%	43.5%	23.2%	23.3%
Operating costs per boe	\$2.49	\$2.77	\$4.37	\$4.14	\$4.06	\$3.94	\$14.21	\$12.39
General and admin per boe	3.66	3.82	3.20	5.55	1.65	4.97	10.61	35.27
Interest per boe	\$1.57	\$1.03	\$0.36	\$0.52	-	-	-	-
Revenue	\$2,168,909	\$3,121,154	\$1,515,891	\$975,898	\$985,517	\$646,935	\$101,384	\$137,480
Operating netback	1,254,125	1,698,334	725,068	523,475	435,233	289,586	52,337	81,112
Funds flow from operations	893,995	1,325,542	572,410	388,414	394,680	210,953	55,681	38,535
Net income (loss)	(\$252,726)	(\$115,455)	(\$181,407)	(\$208,302)	(\$277,688)	(\$150,176)	(\$96,655)	291,045
Basic and diluted net income (loss) per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	\$0.02
Weighted average shares								
Basic (000s)	19,557	19,705	18,886	17,065	17,053	16,350	14,885	14,872
Diluted (000s)	19,557	19,705	18,886	17,065	17,053	16,350	14,885	15,723
Assets at period end (000s)	\$25,271	\$26,016	\$27,108	\$16,849	\$14,644	\$15,804	\$14,906	\$7,524

Production, Prices and Revenue

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Production (boe/d)	748	330	+127%	672	188	+257%
Revenue (\$)	\$2,168,909	\$985,517	+120%	\$6,805,954	\$1,733,836	+293%
Price (\$/boe)	\$31.53	\$32.49	-3%	\$37.10	\$33.74	+10%

Production in the third quarter of 2007 played the most significant role in lifting the Company's overall revenue to its second highest level. A 127% increase in production, all from production growth in the Company's natural gas field at Shackleton was slightly offset by a 3% decrease in price to provide a 120% increase in overall production revenue over the third quarter of 2006. This was magnified further in the nine months ended September 30, 2007 with a 293% increase in revenue resulting from a 257% increase in production and a 10% increase in price over the nine months ended September 30, 2006.

Shackleton production is produced from the Company's 50% working interest in 32 sweet natural gas wells and represents approximately 97% of the Company's production in the third quarter of 2007. The Company's oil production rate increased by 4 barrels per day over the second quarter of 2007 with the re-commencement of an 8.4% working interest well at Boundary Lake in Alberta.

Operations (continued)

The Company has an additional 6 wells that have production that is currently behind pipe. These wells represent approximately 110 boe per day net to the Company. In addition to bringing behind pipe production on stream, the Company has planned a development drilling program of 24 wells that will commence in the fourth quarter of 2007. This program will significantly improve production in the area and result in strong production growth in 2008, a third consecutive year of meaningful growth in production, revenue and cash flow.

The Company's fourth stage of land acquisition in the area under the exclusive lease contract held is also scheduled to be completed in the first quarter of 2008. This land acquisition represents 3,200 gross acres and the Company has a 50% working interest in this, consistent with the balance of its lands in the area. The Company also has 50% ownership in the entire infrastructure in the area. This combination results in low-cost growth for the Company in 2008 and into 2009. Further, the Company has completed an assessment of the potential to down-space to 80-acre spacing from the current 160-acre spacing. Competitors neighbouring the Company have applied or have received approval to down-space on lands adjacent to the Company's acreage to the northwest, west and south. This down-spacing assessment results in a total of up to 180 wells to be drilled. The Company's current producing well count of 32 wells represents only 18% of the full development project.

Due to the high percentage of the Company's production represented by natural gas, sales prices for natural gas greatly influence the Company's current revenue and cash flow and ultimately the value of the Company's reserves. The Company has realized a range of sales prices in the past two years for natural gas from as high as \$12.79 per mcf in the fourth quarter of 2005 to as low as \$5.16 per mcf in the third quarter of 2007. Due to this volatility, the Company has focused on maintaining a low cost operation to increase its ability to navigate through the lower price periods, such as has been seen in the current quarter. The result of this focus is the record low operating cost of \$2.49 per boe. This low operating cost gives the Company an important edge over other companies in the oil and gas sector. The Company will continue to maintain its low cost operation and is poised to capture greater value as prices improve. The successful employment of costless collar contracts has also improved the Company's interim revenue as it strives for longer-term value gains.

The Company is anticipating drilling two significant deeper oil targets at Pembina in 2008, where the Company has an undeveloped field with six identified locations. Each of these oil targets, if successful, can provide the Company with a potential 200 boe per day of oil production net to the Company. A competitor discovery offsetting the first two locations has reported an anticipated flow rate of up to 1,400 barrels per day. This discovery is a look-alike to the Company's first two locations based on three dimensional seismic. The Company has an 18.75% working interest in the locations. Discoveries and resulting production from this area would significantly increase the Company's oil production rate.

Royalties

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Royalties (\$)	\$743,189	\$427,259	+74%	\$2,578,424	\$732,252	+252%
As a % of revenue	34.3%	43.4%	-21%	37.9%	42.2%	-10%
Per boe (\$/boe)	\$10.80	\$14.09	-23%	\$14.05	\$14.25	-1%

In 2007, royalties on production revenue from the Company's Shackleton property included overriding royalties of 15%, down from 17% in 2006. The crown component of the royalties, as a percentage of revenue, decreased due to lower per well production rates and lower field prices realized in the second quarter of 2007 versus the second quarter of 2006. The Company's marketing sales contracts that improved revenues are not subject to royalties. As a result, royalties as a percentage of revenue is down significantly in the third quarter of 2007 versus the same period in 2006 and as compared to previous quarters.

Operations (continued)

Operating Expense

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Operating expenses (\$)	\$171,595	\$123,025	+39%	\$550,003	\$224,428	+145%
As a % of revenue	7.9%	12.5%	-37%	8.1%	12.9%	-37%
Per boe (\$/boe)	\$2.49	\$4.06	-39%	\$3.00	\$4.37	-31%

In the third quarter of 2007, the Company achieved a rate of \$2.49 per boe, a record low for the Company and a 39% drop versus the same quarter in 2006. This low rate was achieved by increasing production at the Company's Shackleton field and utilizing the capacity of the Company-owned facilities in that area to a greater extent. The Company owns 50% of the flowlines, gas gathering systems and the area gas plant. The reduced operating cost rate in the third quarter of 2007 resulted in only a 39% increase in total operating costs over the third quarter of 2006 when the Company produced 127% higher volumes over the same period. With median operating expenses in the oil and gas sector approximating \$9.50 per boe, the Company's current operating cost rate has become one of the lowest in the industry.

A low operating cost rate increases the Company's ability to navigate through low or volatile price environments in its efforts to capture longer-term value. Maintaining a low cost operation is a key component of the Company's overall value improvement strategy.

Operating Netback

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Revenue (\$)	\$2,168,909	\$985,517	+120%	\$6,805,954	\$1,733,836	+293%
Royalties (\$)	(743,189)	(427,259)	+74%	(2,578,424)	(732,252)	+252%
Operating costs (\$)	(171,595)	(123,025)	+39%	(550,003)	(224,428)	+145%
Operating netback (\$)	\$1,254,125	\$435,233	+188%	\$3,677,527	\$777,156	+373%
Revenue per boe	\$31.53	\$32.49	-3%	\$37.10	\$33.74	+10%
Royalties per boe	(10.80)	(14.09)	-23%	(14.05)	(14.25)	-1%
Operating expense per boe	(2.49)	(4.06)	-39%	(3.00)	(4.37)	-31%
Operating netback per boe	\$18.24	\$14.34	+27%	\$20.05	\$15.12	+33%
Gross margin (% of revenue)	58%	44%	+32%	54%	45%	+20%

Revenue rates per boe dropped by 3% in the third quarter of 2007 versus the third quarter of 2006. Without the Company's sales contracts in place, this drop would have been 10% over the same period. The Company's focus on maintaining low cost of operations combined with effective sales contracts has resulted in significantly improved gross margins and improved operating netbacks even in periods where sales prices have fallen.

The Company's operating cost rate in the third quarter of 2007 is one of the lowest in the industry. As sales prices rise, royalty rates will also increase, however, the Company's low operating cost rate can be maintained in all price periods. This low cost approach provides the Company with greater capacity to retain sales revenue in all price periods as compared to competitors with similar production profiles.

Capital Expenditures

In the third quarter of 2007, the Company incurred costs of \$243,804 relating to capital expenditures. These expenditures were dominated by survey and facility preparation costs at Shackleton in anticipation of the Company's 24 well program planned to commence in the fourth quarter of 2007. In addition, the Company completed its assessment of three dimensional seismic at Pembina and selected the first two wells to be drilled in this undeveloped area. The Pembina wells, targeting light sour oil, offset a recent discovery by a competitor who has reported an anticipated flow rate of 1,400 boe per day and reserves of 1.8 million barrels of oil for the discovery well. After reviewing the three dimensional seismic covering the Company's lands and the discovery well, management has concluded that the two locations planned for 2008 look similar to that well. The Company is currently in the licensing phase of this process.

Property Development Costs by Area								
(\$000s)	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06	Q1 '06	Q4 '05
Northeast British Columbia	(5)	252	1,452	1	–	–	–	–
Pembina	12	20	32	5	38	124	558	701
Shackleton	237	97	8,473	3,394	201	1,023	8,570	–
Minor Areas	–	–	–	–	–	–	–	–
Total	244	369	9,957	3,400	239	1,147	9,128	701

Shackleton

The Shackleton area consists of a 50% working interest in 32 producing wells and 6 wells that are currently awaiting tie-in. The Company owns 50% of the entire infrastructure including a gas plant and over 45 miles of pipe installed in a pipeline and gathering system. The Company plans to drill 24 locations commencing in the fourth quarter of 2007 and into the first quarter of 2008. Following this drilling program, the Company expects to have over 60 wells on production, up from the current 32 wells. The Company, and the competitors that have drilled adjacent lands, have historically achieved 100% success in discovering commercial quantities of natural gas in the area. The Company expects that the initial flow rates of the new wells will approximate 300 mcf per day, of which the Company has a 50% working interest. As a result, this program is anticipated to significantly increase production for the Company in the area.

In the fourth quarter of the year, the Company is nearly complete in the construction of the pipeline system to access the western portion of the field. This installation represents the last major facility requirement for the area.

In the past, a large percentage of capital expenditures were devoted to facility construction. The Company incurred \$346,507 in the third quarter for this installation. Due to this construction, and the existing lines that were constructed in the past, production can commence within four weeks from the drilling of the well.

The Company anticipates the fourth stage of land acquisition on the exclusive acreage to be completed in the first quarter of 2008. This land acquisition will add 3,200 gross acres in the midst of the Company's existing land position. The Company has a 50% working interest in the acquired lands.

The Company has completed an evaluation of the merits, including cost analysis and reserve and production impacts, of down-spacing in the Company's acreage at Shackleton, concluding that down-spacing to 80 acres from the current 160 acre spacing is beneficial in the development of the area. Competitors holding lands adjacent to the Company's acreage have applied for or have received down-spacing approval on lands to the northeast, west and south of the Company's land position. As a result, the Company expects to drill up to 180 wells on the acreage to achieve full development.

Capital Expenditures (continued)

Pembina

The Company is planning to drill two wells at Pembina in 2008. Each of these wells is expected to cost the Company approximately \$500,000 for its 18.75% working interest. The drilling success rate for wells in the area is 50%. If successful, the Company expects to spend an additional \$700,000 in completion and equipping per location for its proportionate working interest. These two locations have been selected due to the similarity in anomalies to a competitor's offsetting discovery well, following an examination of three-dimensional seismic covering the Company's acreage and the discovery well. The offsetting discovery well contained 65 feet of pay and is anticipated to yield between 1.0 and 1.8 million boes of oil and associated natural gas. The flow rate anticipated from this offsetting well is reported to be an initial rate of 1,400 boe per day. Similar discoveries on the Company's acreage would yield initial rates of approximately 250 boe per day net to the Company and incremental reserves of approximately 330,000 barrels of oil per well.

At Pembina, the Company holds an undeveloped acreage position targeting Nisku oil along the Pembina Nisku fairway. Recently evaluated with the assistance of three-dimensional seismic, the Company has identified several drilling targets. These targets offset wells that produce or have production tested at rates of 500 to 2,500 boe per day. The Company has working interests of up to 25% in the area, but the majority of land held is at working interests of 18.75%.

Overhead

General and Administration

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
General and administration (\$)	\$252,026	\$49,894	+405%	\$666,932	\$164,672	+305%
Per boe (\$/boe)	\$3.66	\$1.65	+122%	\$3.64	\$3.20	+14%

General and administration costs for the Company for the third quarter of 2007 have increased by 405% over the third quarter of 2006 and by 305% for the nine months ended September 30, 2007 over the nine months ended September 30, 2006. This increase is primarily due to increased staffing costs and increased fees relating to the Company's technical and administrative services contract with Grizzly Resources Ltd, a related company by virtue of common management. The Company expects to maintain its low cost general and administration per boe rate in 2007 and will look to reduce this rate in 2008 due to greater economies of scale from production additions that are anticipated from the drilling program that will commence in the fourth quarter of 2007.

The Company expensed general and administration costs of \$97,623 in the current quarter for fees paid to Grizzly Resources Ltd. for technical and administrative services. The fee charged is a rate for each barrel of production and a percentage of capital expenditures. Since the second quarter of 2007, in addition to the fee charged, the Company began to incur direct costs for personnel directly employed by the Company. Previously, these responsibilities were covered under the services contract.

Interest Expense

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Interest expense (\$)	\$108,114	–	n/a	\$200,758	–	n/a
Per boe (\$/boe)	\$1.57	–	n/a	\$1.09	–	n/a

Interest expense primarily relates to the Company's credit facility with a financial institution. During the third quarter, the Company negotiated an increase of its credit facility limit with the financial institution to \$8 million. The negotiated facility bears interest at the bank's prime lending rate and is secured by a charge over the Company's assets.

Overhead (continued)

Stock Based Compensation

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Stock based compensation (\$)	\$64,916	\$137,850	-53%	\$300,466	\$418,447	-28%
Per boe (\$/boe)	\$0.94	\$4.55	-79%	\$1.64	\$8.14	-80%

Stock based compensation charges in the three and nine months ended September 30, 2007 are significantly lower than those charged in the same periods in 2006 as the number of unvested stock options outstanding decreased over the period. This cost reduction coupled with the Company's significant production growth resulted in stock based compensation costs per boe in the three and nine months ended September 30, 2007 to be reduced by 79% and 80% respectively.

Depletion, Depreciation and Amortization

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Depletion and depreciation expense (\$)	\$1,207,978	\$683,264	+77%	\$3,234,330	\$912,585	+254%
Asset retirement expense (\$)	13,893	2,854	+387%	44,857	8,841	+407%
Depletion, depreciation and amortization (\$)	\$1,221,871	\$686,118	+78%	\$3,279,187	\$921,426	+256%
Depletion and depreciation per boe (\$/boe)	\$17.56	\$22.53	-22%	\$17.63	\$17.76	-1%
Asset retirement per boe (\$/boe)	0.20	0.09	+122%	0.24	0.17	+41%
Total per boe (\$/boe)	\$17.76	\$22.62	-21%	\$17.87	\$17.93	-0%

In the third quarter of 2007, the Company's depletion, depreciation and amortization expense rose by 78% over the third quarter of 2006, primarily due to the Company's increased production. The Company's total rate for depletion, depreciation and amortization in the nine months ended September 30, 2007 is even with 2006 levels as increases to the rate from the costs incurred in Northeast British Columbia earlier this year are offset by higher reserve additions at the Company's Shackleton acreage in the first quarter of 2007. The Company anticipates a reduction in the depletion and depreciation rate as drilling and land acquisitions continue at Shackleton and upon proven reserve additions at Pembina.

The asset retirement expense in the three and nine months ended September 30, 2007 is 387% and 407% higher than the charges in the same periods of 2006, respectively. These results are due to the increase of Shackleton producing wells from seven in the 2006 periods to 32 in 2007. In addition to the increase in wells, in 2007 the Company revised its 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 2007.

Normal Course Issuer Bid

	Three months ended September 30,			Nine months ended September 30,		
	2007	2006	Change	2007	2006	Change
Number of shares repurchased	87,000	–	n/a	277,000	–	n/a
Average price per share (\$/share)	\$1.52	–	n/a	\$1.64	–	n/a

Normal Course Issuer Bid (continued)

Pursuant to a normal course issuer bid, the Company may repurchase up to 1,236,869 common shares over the period from April 1, 2007 to March 31, 2008. In the three and nine months ended September 30, 2007, the Company has repurchased for cancellation 87,000 and 277,000 common shares at average prices of \$1.52 and \$1.64 per share respectively. Because of the low-risk development assets that the Company holds at Shackleton and considerable upside potential at Pembina, management of the Company consider the purchase of the Company's shares at current market prices to be sound investments for the remaining shareholders.

Taxation

Pursuant to the flow-through share component of its equity issue in the first quarter of 2007, the Company committed to renouncing additional qualifying expenditures of \$2,175,000 to be incurred prior to December 31, 2008. At September 30, 2007, the Company has incurred \$920,000 of qualifying expenditures relating to this issue. Completion of the qualifying expenditures is anticipated for January of 2008, well ahead of the December 31, 2008 deadline.

At September 30, 2007, the Company has approximately \$21.6 million of unused non-capital losses and resource tax pools that can be used to reduce taxable income in future periods.

Liquidity and Capital Resources

As at September 30, 2007, the Company has a working capital deficiency of \$7.2 million. Subsequent to the end of the third quarter of 2007, the Company has entered negotiations for an additional extension of its bank loan from which the Company will draw funds to develop its property at Shackleton. As in 2006 and 2005, the Company anticipates that it will be successful in obtaining an additional development facility for this program. The Company currently has a facility with a maximum of \$8 million. Drawings on the loan facility bear interest at the financial institution's prime rate.

Outlook

In 2006, the Company was one of the fastest growing junior oil and gas companies in the sector. Production and reserve growth in 2007 have been substantial and the Company is expected to rank highly for growth again this year. The Company is planning a 24 well development program to commence in the fourth quarter of 2007 and to be completed in the first quarter of 2008. The average initial production rate for each new well is expected to approximate 300 mcf per day, of which the Company would receive 150 mcf per day for its working interest share. Also in the first quarter of 2008, the Company is expecting to complete the fourth stage of land acquisition, where the Company will add a 50% working interest in 3,200 additional acres. The development program and land acquisition anticipated at Shackleton ensure that this production and reserve growth trend will extend into 2008.

Key to the strategies employed in the pursuit of this growth has been the maintenance of low cost operations. The Company has succeeded in obtaining operating cost rates that are among the lowest in the industry. This low cost operation strategy has enabled the Company to grow with natural gas assets during a period of depressed natural gas commodity prices while many gas-weighted companies in the sector have ceased to grow or have experienced negative growth.

The 2008 year will be a significant transition year for the Company. Following the anticipated capital program for the first quarter of 2008, the Company expects to have 60 wells on production at Shackleton. The resulting cash flow anticipated in 2008 is expected to provide the Company with a substantially improved financial capacity above equity and debt sources. Following the development program planned for the fourth quarter of 2007 and the first quarter of 2008, the Company anticipates that the Shackleton field will no longer require equity or debt financing to continue its development. The area is expected to have up to 180 wells upon full development following application for down-spacing.

Outlook (continued)

Management of the Company note that fourth quarter natural gas prices have already risen from third quarter levels and expect natural gas prices to continue this trend. Because of the increased volumes developed since 2006, the Company is poised to capture significant value through the cash flows generated from these assets. However, the Company is also positioned to significantly increase its oil productivity base in 2008 with the commencement of drilling at the currently undeveloped field in Pembina. In a strategy that looks to significantly lower the Company's finding costs through the discovery of larger per well reserves while also increasing the oil component of the Company's commodity mix, the Company plans to commence drilling at Pembina with two wells in 2008. These two wells are offset by a major discovery by one of the Company's competitors that has been reported to have 65 feet of pay holding between 1.0 and 1.8 million boes of oil and associated natural gas and to commence production at 1,400 boe per day. The Company, with 18.75% working interests in each of the two wells planned, has selected the two locations based on look-alike anomalies from three-dimensional seismic that covers the Company's acreage and the offsetting discovery.

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

Dated: November 20, 2007

IRONHORSE OIL & GAS INC.

Balance Sheets

	September 30 2007	December 31 2006
	<i>(unaudited)</i>	
ASSETS		
Current Assets:		
Cash	\$ 36,417	\$ 8,674
Accounts receivable	876,523	398,766
Prepaid expenses	28,170	38,902
	941,110	446,342
Tangible equipment inventory (note 1)	346,507	–
Property, plant and equipment (note 1)	23,983,707	16,402,488
	\$ 25,271,324	\$ 16,848,830
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,359,016	\$ 2,977,699
Bank loan	6,813,808	1,806,000
	8,172,824	4,783,699
Asset retirement obligation (note 2)	587,347	323,037
Future income taxes (note 3)	561,429	788,701
	9,321,600	5,895,437
Shareholders' equity:		
Share capital (note 4)	19,345,789	14,093,637
Contributed surplus (note 4)	1,147,923	854,156
Deficit	(4,543,988)	(3,994,400)
	15,949,724	10,953,393
	\$ 25,271,324	\$ 16,848,830

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Statements of Operations and Deficit
For the Period Ended September 30, 2007
(unaudited)

	Three Months Ended September 30		Nine Months Ended September	
	2007	2006	2007	2006
Revenue	\$ 2,168,909	\$ 985,517	\$ 6,805,954	\$ 1,733,836
Royalties	(743,189)	(427,259)	(2,578,424)	(732,252)
	1,425,720	558,258	4,227,530	1,001,584
Other income	10	9,341	8,010	57,070
	1,425,730	567,599	4,235,540	1,058,654
Expenses				
Operations	171,595	123,025	550,003	224,428
General and administration	252,026	49,894	666,932	164,672
Interest	108,114	–	200,758	–
Stock-based compensation	64,916	137,850	300,466	418,447
Depletion, depreciation and amortization	1,221,871	686,118	3,279,187	921,426
	1,818,522	996,887	4,997,346	1,728,973
Loss before income taxes	(392,792)	(429,288)	(761,806)	(670,319)
Future income tax recovery (expense)	140,066	139,100	212,218	133,300
Net loss	(252,726)	(290,188)	(549,588)	(537,019)
Deficit, beginning of the period	(4,291,262)	(3,508,410)	(3,994,400)	(3,261,579)
Deficit, end of the period	\$ (4,543,988)	\$ (3,798,598)	\$ (4,543,988)	\$ (3,798,598)
Net loss per share				
Basic	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.03)
Diluted	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.03)

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Statements of Cash Flows
For the Period Ended September 30, 2007
(unaudited)

	Three Months Ended September 30		Nine Months Ended September	
	2007	2006	2007	2006
Cash flows from operations				
Net income (loss)	\$ (252,726)	\$ (290,188)	\$ (549,588)	\$ (537,019)
Add (deduct) items not affecting cash				
Depletion, depreciation and amortization	1,221,871	686,118	3,279,187	921,426
Future income tax expense (recovery)	(140,066)	(139,100)	(212,218)	(133,300)
Stock-based compensation	64,916	137,850	300,466	418,447
Abandonment costs incurred	-	-	(25,900)	(8,240)
Funds flow from operations	893,995	394,680	2,791,947	661,314
Changes in non-cash working capital	(41,370)	160,002	(99,288)	(107,391)
	852,625	554,682	2,692,659	553,923
Cash flows from financing activities				
Issuance of common shares	-	-	5,753,135	5,018,061
Increase (decrease) in loan	993,808	-	5,007,808	-
Exercise of stock options	11,250	950	15,399	28,954
Repurchase of common shares	(213,765)	-	(538,135)	-
	791,293	950	10,238,207	5,047,015
Cash flows from investing activities				
Property, plant and equipment	(243,804)	(238,628)	(10,570,196)	(10,513,770)
Tangible equipment inventory	(346,507)	(434,600)	(346,507)	(434,600)
Changes in non-cash working capital	(1,097,878)	(737,207)	(1,986,420)	2,146,624
	(1,688,189)	(1,410,435)	(12,903,123)	(8,801,746)
Increase (decrease) in cash during the period	(44,271)	(854,803)	27,743	(3,200,808)
Cash, beginning of the period	80,688	1,373,898	8,674	3,719,903
Cash, end of the period	\$ 36,417	\$ 519,095	\$ 36,417	\$ 519,095

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Period Ended September 30, 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 quarter ended June 30, 2007, March 31, 2007 and the Company's audited financial statements for the year ended December 31, 2006.

1. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2007		December 31, 2006	
	Cost	Accumulated Depletion and Depreciation	Net	Net
Petroleum and natural gas properties	\$ 28,826,296	\$ 4,842,589	\$ 23,983,707	\$ 16,402,488

The Company has capitalized \$141,025 of general and administrative costs in the nine months ended September 30, 2007 (September 30, 2006 – \$144,969). An estimate for future capital costs of \$9,784,000 (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 and depreciation at September 30, 2007 was \$2,491,076 (December 31, 2006 – \$5,191,878).

2. ASSET RETIREMENT OBLIGATION

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Beginning of the period	\$ 573,454	\$ 197,517	\$ 323,037	\$ 113,140
Incurred in the period	–	–	245,353	86,630
Expenditures made on obligations	–	–	(25,900)	(8,240)
Revisions	5,376	–	19,597	(258)
Change in present value during period	8,517	2,854	25,260	9,099
End of the period	\$ 587,347	\$ 200,371	\$ 587,347	\$ 200,371

The total undiscounted amount of cash flows required to settle the obligations as measured at September 30, 2007 is estimated to be approximately \$1,795,000 (December 31, 2006 - \$869,910). These obligations are expected to be settled at various times over up to 20 years subsequent to September 30, 2007. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 7.75% during the period ended September 30, 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 September 30, 2007 and 2006

3. INCOME TAXES

The Company has unused non-capital losses and resource tax pools of approximately \$21.6 million available for deduction in calculating taxable income in future periods.

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. As at September 30, 2007, the Company has incurred qualifying expenditures of \$920,000 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 September 30, 2007		Nine Months Ended September 30, 2007	
	Number	Amount	Number	Amount
Beginning of the period	19,611,143	\$ 19,545,291	17,067,392	\$ 14,093,637
Stock options exercised	50,000	14,264	65,001	22,099
Issued during period	—	—	1,812,500	3,625,000
Flow-through shares issued	—	—	906,250	2,175,000
Repurchased during period	(137,000)	(213,766)	(327,000)	(538,135)
Share issue costs	—	—	—	(46,865)
Tax effect of share issue costs	—	—	—	15,053
Balance, end of the period	19,524,143	\$ 19,345,789	19,524,143	\$ 19,345,789

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.

By way of a normal course issuer bid, the Company intends to purchase for cancellation up to 1,236,869 common shares from April 1, 2007 to March 31, 2008. During the three months ended September 30, 2007, the Company repurchased 87,000 common shares at an average price of \$1.52 per share plus commissions. Since April 1, 2007, the Company has repurchased 277,000 common shares at average prices of \$1.64 per share plus commissions. During the three months ended September 30, 2007, the Company also repurchased 50,000 common shares that had been issued from the exercise of stock options in accordance to the Company's stock option plan.

At September 30, 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 September 30, 2007 and 2006

4. SHARE CAPITAL (continued)

(a) Common Shares

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	Number	Amount	Number	Amount
Beginning of the period	17,052,392	\$ 14,684,871	14,871,558	\$ 9,620,765
Stock options exercised	2,500	1,546	83,334	47,591
Issued during period	–	–	2,100,000	5,018,061
Balance, end of the period	17,054,892	\$ 14,686,417	17,054,892	\$ 14,686,417

(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.

	Three Months Ended September 30, 2007		Nine Months Ended September 30, 2007	
	Number	Weighted Average Price Per Share	Number	Weighted Average Price Per Share
Beginning of the period	1,684,666	\$ 1.278	1,684,666	\$ 1.278
Granted during period	–	–	55,000	2.000
Exercised during period	(50,000)	0.225	(65,001)	0.237
Cancelled during period	(163,666)	1.916	(170,665)	1.883
Balance, end of the period	1,471,000	\$ 1.243	1,471,000	\$ 1.243

	Three Months Ended September 30, 2006		Nine Months Ended September 30, 2006	
	Number	Weighted Average Price Per Share	Number	Weighted Average Price Per Share
Beginning of the period	1,666,666	\$ 1.470	1,483,500	\$ 0.880
Granted during period	–	–	264,000	2.950
Exercised during period	(2,500)	0.380	(83,334)	0.350
Balance, end of the period	1,664,166	\$ 1.470	1,664,166	\$ 1.470

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Period Ended September 30, 2007 and 2006

4. SHARE CAPITAL (continued)

(c) Contributed Surplus

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Beginning of the period	\$ 1,086,020	\$ 582,600	\$ 854,156	\$ 320,044
Charged in the period	64,916	137,850	300,466	418,447
Reclassified to share capital	(3,013)	(596)	(6,699)	(18,637)
End of the period	\$ 1,147,923	\$ 719,854	\$ 1,147,923	\$ 719,854

5. RELATED PARTY TRANSACTIONS

The Company is subject to an administrative and technical services contract with Grizzly Resources Ltd., a company related by virtue of common management. Grizzly Resources Ltd. is also a significant partner and operator in some of the Company's operating areas and charges overhead recoveries at rates that are standard in the industry. The Company also incurred interest expense at a rate of prime plus 2% on certain balances due to Grizzly Resources Ltd. These transactions are in the normal course of business and are recorded at the amount of consideration established and agreed to by the related parties.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Administration and technical services contract				
Capitalized during the period	\$ 701	\$ 9,746	\$ 141,025	\$ 144,969
Expensed during the period	97,623	42,611	267,392	75,589
Operator overhead recoveries				
Charged to capital projects	7,427	2,282	118,610	96,936
Charged to operating costs	22,763	10,466	53,679	14,344
Interest incurred during the period	8,493	–	9,801	–
	\$ 137,007	\$ 65,105	\$ 590,507	\$ 331,838

As at September 30, 2007, \$98,324 (December 31, 2006 – \$76,878) related to these services were included in accounts payable and accrued liabilities.

6. DEBT FACILITY

During the third quarter of 2007, the Company negotiated its revolving production loan facility, increasing its maximum borrowing capacity to \$8,000,000 (December 31, 2006 – \$6,000,000). Drawings on the new facility bear interest at the financial institution's prime rate. At September 30, 2007, \$6,813,808 has been drawn on the facility (December 31, 2006 – \$1,806,000). 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
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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T2P 1T1

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