MANAGEMENT'S DISCUSSION and ANALYSIS

ADVISORIES

Management's discussion and analysis ("MD&A"), prepared effective August 24, 2011 should be read in conjunction with the Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") unaudited condensed interim financial statements for the six months ended June 30, 2011 and the audited financial statements for the year ended December 31, 2010.

Basis of presentation – As at January 1, 2010, the Company prepares its financial statements in accordance with the International Accounting Standards Board ("IASB") most current International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS"). The adoption of IFRS does not impact the underlying economics of the Company's operations or its cash flows. Previously, the Company's financial statements were prepared in accordance with Canadian generally accepted accounting principles ("CGAAP"). Reconciliations between CGAAP and IFRS financial information can be found in Note19 to the interim financial statements for the period ended June 30, 2011.

The interim financial statement note disclosures do not include all of those required by IFRS applicable to annual financial statements; however the interim financial statements do meet the requirements of IAS 34 regarding interim reporting.

The reporting and measurement currency in the financial statements and in this MD&A is the Canadian dollar, unless otherwise stated.

Non-IFRS measures - Ironhorse evaluates performance based on net income, funds from operations, funds from operations per share, net debt and field netback. Funds from operations, funds from operations per share, net debt and field netback are not measurements defined by IFRS, but are financial terms commonly used in the oil and gas industry.

Funds from operations - are labelled on the Statements of Cash Flow and may not be comparable to other companies. Ironhorse calculates funds from operations as cash flow from operating activities prior to changes in non-cash working capital and settlement of decommissioning liabilities. Funds from operations per share are determined using the same method and common shares outstanding, which are used in the determination of net earnings per share. The Company considers it a key measure as it demonstrates the ability of the Company to generate the funds necessary to finance future capital investments.

Field netback - Ironhorse also uses field netback as a key performance indicator. Field netback does not have a standardized meaning prescribed by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Field netback is determined by deducting royalties and operating and transportation expenses from petroleum and natural gas sales revenue. The Company considers field netback a key measure in assessing the efficiency of its oil and gas assets.

Net debt - Ironhorse also uses net debt as a key performance indicator. Net debt is calculated as current liabilities minus flow-through obligation less current assets before assets held for sale.

Funds from operations and field netback are not intended to represent operating profits, nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with IFRS.

Boe conversion - Certain natural gas volumes have been converted to barrels of oil equivalent ("boe"), whereby six thousand cubic feet ("mcf") of natural gas is equal to one barrel ("bbl") of oil, unless otherwise stated. This conversion ratio is based on an energy equivalent conversion applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-looking information - Certain information regarding Ironhorse set forth in this document, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Ironhorse's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of or availability of qualified technical personnel or management, stock market volatility and ability to access capital from internal and external sources.

Ironhorse's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact it would have on Ironhorse. Words such as “may”, “will”, “should”, “could”, “anticipate”, “believe”, “expect”, “intend”, “plan”, “potential”, “continue”, and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to management.

Examples of forward-looking statements in this MD&A include, but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on assumptions which may prove to be incorrect:

The expectations that:

- The two (0.4 net) Pembina oil wells will be placed on production by January 2012. These wells are expected to increase our net production initially by 210 boepd and ultimately by 600 boe per day when producing to their full capabilities. Regulatory approvals and/or operational delays could negatively impact the timing and production increases from this project.

- Sale proceeds from the disposition of petroleum and natural gas properties, funds from operations and available credit facilities will be sufficient to fund a capital program of up to $10.5 million.

Risk factors

Additional risk factors can be found under "Risk Factors" in the Company's Annual Information Form, which can be found on www.sedar.com. Some risks are discussed below, but these risk factors should not be construed as exhaustive. There are numerous factors, both known and unknown, that could cause actual results or events to differ materially from forecast results.

Oil and natural gas operations involve many risks that even a combination of experience and knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Company's reserves will depend not only on the Company’s ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that further commercial quantities of oil and natural gas will be discovered or acquired by the Company.

The Company’s principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program. The Corporation’s need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. The Company anticipates that future capital requirements will be funded through a combination of cash flow from operations, debt, equity financing and/or the sale of oil and natural gas properties.

There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements. If any components of the Company's business plan are missing, the Company may not be able to execute the entire business plan.

Although the Company has no set policy concerning derivative financial instruments, the management of the Company may use derivative financial instruments to reduce corporate risk in certain situations.

Overview

Ironhorse is a Canadian-based oil and gas company whose shares trade on the TSX Venture Exchange under the symbol "IOG". Ironhorse's business plan is value creation through a combination of low risk development drilling and high impact exploration. The Company's principal oil and gas properties are listed below.

Shackleton, Saskatchewan

The Company has a 50% working interest in 100 (50 net) gas wells which produced an average of 6,973 (3,487 net) mcf per day or 1,162 (581 net) boe per day in the first six months of 2011 representing approximately 75% of the Company's production on a boe basis. Ironhorse is using the funds generated by this property to finance exploration and development activities on other properties. The Company is currently marketing the property and plans to use the net sale proceeds to pay down its credit facilities.

Pembina, Alberta

In 2009 the Company participated in drilling 2 (0.4 net) oil wells in Pembina, Alberta which resulted in a significant Nisku oil discovery. These two oil wells are capable of producing at rates in excess of 4,000 (600 net) boepd. The Pembina oil wells require construction of pipelines and facilities to transport and process the oil and associated sour natural gas. In May of this year, the Company entered into a Production Sharing Agreement (the "Agreement") that provides for the construction of a pipeline from the two oil wells to an oil battery, which is approximately three miles away, where the oil will be separated from the sour natural gas. The sour natural gas will be blended at the battery with readily available sweet gas and transported via existing pipelines to a gas plant capable of processing the natural gas. The terms of the Agreement are such that in exchange for Ironhorse reducing its working interest in the oil wells from 18.75% to 15.625% the other party will provide Ironhorse with access to its oil battery and incur all the necessary capital costs with respect to constructing the pipelines and installing the facility upgrades. Ironhorse will be responsible for its share of the capital costs with respect to drilling a water injector well and one additional producing oil well, these future capital costs are estimated at $1 million net to the Company. The oil wells are expected to be placed on production by January of 2012 at a restricted rate of 1,350 (210 net) boepd, through out 2012 the production from the oil pool is expected to increase to a maximum of 2,500 (390 net) boepd when the third oil well is placed on production and the oil pool receives Good Production Practice ("GPP") approval from the ERCB ultimately the wells will produce at a rate of 4,000 (600 net) boepd. Prior to receiving GPP approval from the ERCB the Company and its partners will need to drill a water injection well. Further increases in production can be achieved when the Company and its partners develop a scheme for disposing of the sour natural gas prior to transporting the natural gas via the existing pipelines.

Dawson, Alberta

The Company spudded its first exploration well in the Dawson, Alberta area in December 2009 and a second well was drilled in February of 2010 both wells were placed on production at the end of March 2010. These two oil wells are currently producing 135 (75 net) bbl of oil per day. The Company has no further development plans for the area and is using funds generated by the property to finance exploration and development activities on other properties.

Leon Lake, Saskatchewan

In 2010, Ironhorse drilled, completed and placed on production one (0.8 net) horizontal oil well and one (1.0 net) vertical well targeting the Upper Shaunavon formation at the Leon Lake, Saskatchewan. The two oil wells are currently producing 32 (25 net) bbl of oil per day. The wells were temporarily shut in during the month of April as the wells were inaccessible due to wet spring weather conditions. The Company plans to drill additional vertical wells to evaluate both the Upper and Lower Shaunavon oil bearing formations and shoot a three dimensional seismic program over the balance of its lands in the area. Pending the results of these wells the Company will consider further development by way of horizontal wells.

Hamilton Lake, Alberta

On February 9, 2011, the Company acquired a 100% working interest in four and a quarter sections in Central, Alberta which are prospective for Viking oil at a cost of $0.5 million. On March 9, 2011, Copper Island Resources Ltd. ("CIRL") a related company acquired a 100% working interest in 19.25 sections of land adjacent to Ironhorse's lands at a cost of $4.5 million. Ironhorse had the option to equalize into all of the lands such that it would have a 50% working interest in the 24 sections of land subject to making a $2.0 million payment prior to July 9, 2011. Ironhorse did not exercise its option prior to July 9, 2011. The Company negotiated an extension of the option to October 31, 2011 in exchange for transferring its rights in the initial four sections to CIRL for a dollar. CIRL drilled, completed and equipped a horizontal oil well in the third quarter of 2011 at a gross cost of $2.5 million. In order for Ironhorse to exercise its option to equalize its must make a cash payment of $3.5 million prior to October 31, 2011. Development plans for the area include drilling, completing and equipping one or more horizontal wells in the Upper Viking this year at an estimated gross cost of $1.8 million per well.

Outlook

Priorities for the balance of this year include paying down the Company's debt through the sale of the Shackleton gas property, drilling vertical Upper Shaunavon oil wells at Leon Lake, Saskatchewan, placing the Pembina oil wells on production and exercising its option to participate in the Hamilton Lake equalization option.

Subsequent to the sale of the Shackleton property Ironhorse will have a production base of less than 100 bbls per day of oil until such time as it places the Pembina wells on production or drills new oil wells at Leon Lake.

First quarter 2011 overview

SELECTED INFORMATION	Three months ended June 30, 2011	March 31, 2011	June 30, 2010
Thousands except per share amounts			
Financial			
Revenue	$ 2,380	$ 2,915	$ 2,682
Royalties	787	991	496
Funds from operations	577	803	1,153
- per share basic and diluted	0.02	0.03	0.04
Income/(Loss)	454	7	(69)
- per share basic and diluted	0.02	0.00	0.00
Total assets	43,581	43,489	44,291
Capital expenditures	169	604	4,691
Net debt	13,851	14,650	14,799
Shares outstanding weighted average	27,873	27,876	27,331
Operations			
Production			
Gas – mcf/d	3,413	3,635	4,633
Oil – bbl/d	143	229	179
Total – boe/d	711	835	951
Average sales price			
Gas - $/mcf	3.54	3.58	3.61
Oil - $/bbl	99.55	83.93	71.08
Boe - $/boe	36.93	38.78	30.99
Royalty - $/boe	12.15	13.18	5.73
Operating expenses - $/boe	5.80	7.60	3.35
Field Netback - $/boe	18.98	18.00	21.91
General & administrative expenses - $/boe	5.74	4.15	6.72

OPERATIONS

Our current operations are focused in Southwest Saskatchewan and Central Alberta. In addition to the properties currently being developed, we are evaluating new areas which have the potential to become focus areas.

Sales volumes

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	% Change
Daily sales volumes							
Natural gas	*mcf/d*	3,413	4,633	(26)	3,523	4,838	(27)
Light oil & ngls	*bbls/d*	143	179	(20)	186	142	31
Total	*boe/d*	711	951	(25)	773	949	(19)

Sales volumes for the three months ended June 30, 2011 averaged 711 boe per day, a decrease of 26% from the 951 boe per day during the corresponding period in 2010. The decrease in natural gas production is due to natural declines in the production in the Shackleton area. The Dawson and Leon Lake oil wells placed on production in March 2010 account for the increase in oil production for the six months ended June 30, 2011 these wells are experiencing normal declines for the three months ended June 30, 2011 as compared to 2010.

Marketing and Revenue

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	%Change
Benchmark							
Alberta Spot – Natural gas	$/mcf	3.76	3.91	(4)	3.82	4.42	(14)
West Texas Intermediate - Oil	US$/bbl	102.50	78.12	31	98.23	78.41	25
Edmonton Par - Oil	$/bbl	114.11	78.06	46	106.51	80.30	33
Company Prices							
Natural gas price	$/mcf	3.54	3.61	(2)	3.56	4.14	(14)
Light oil price	$/bbl	99.55	71.08	40	89.96	73.47	22
Boe	$/boe	36.93	30.99	19	37.85	32.15	18
Revenue							
Natural gas	$m	1,100	1,524	(28)	2,270	3,629	(37)
Light oil & ngls	$m	1,291	1,159	11	3,025	1,891	60
Other	$m	(11)	(1)	1,000	-	-	-
Total	$m	2,380	2,682	(11)	5,295	5,520	(4)

The Company's Shackleton gas production is marketed through the marketing arm of a large international oil and gas company. The Shackleton gas receives the Alberta gas spot price at the AECO Hub adjusted for heating content, plus $0.80 per gigajoule ("GJ") less a transportation charge of approximately $0.16 per GJ. Natural gas pricing tends to be volatile and is affected by supply and demand, storage levels, weather conditions and fuel switching to alternative sources of energy. Natural gas prices peaked in the second quarter of 2008 and have generally drifted down for the past two and a half years and prices remain at historically low levels as North American supply increased primarily due to the development of "shale gas reserves" in the United States while commercial and industrial demand declined in the response to the economic downturn. During the six months ended June 30, 2011 all of Ironhorse's natural gas production was sold on the spot market. Crude oil is marketed on 30 day evergreen contracts at prevailing market prices.

The Company monitors the impact of commodity price exposure and from time to time, enters into structured sales contracts such as swaps, options or collars for fixed periods of time to mitigate commodity price risk. The objective of this strategy is to reduce the Company's risk exposure to changes in cash flow from operations resulting from changes in commodity prices, thereby ensuring our ability to complete the planned capital investment program.

Sales revenues for the six months ended June 30, 2011 were 4% lower than the same period in the prior year. The small decrease in revenues was the result of higher oil prices which were off set by lower production volumes.

Sales revenues in 2011 are expected to be significantly lower if the Company sells its Shackleton gas property.

Royalties

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	% Change
Royalties	$m	787	496	59	1,778	1,145	55
Per boe	$	12.15	5.73	112	12.71	6.67	91
Royalty rate	%	33.1	18.5	79	33.6	20.7	62

Ironhorse's producing wells are subject to crown, First Nation and overriding royalties which are payable to the owners of the mineral rights. The mineral rights for Company's Shackleton property are owned by the Carry the Kettle First Nation and are subject to a lessor royalty, which is equivalent to Saskatchewan crown royalty, plus a minimum 15% gross overriding royalty. Royalty rates vary based on a number of factors including commodity pricing and production rates. Royalties are calculated on sales revenues based on daily spot prices and without reference to contracted gas price differences. In 2010, the oil production from the new oil wells was eligible for various royalty holiday programs.

Royalties increased 55% for the six months June 30, 2011 to $1.8 million ($12.71 per boe) compared to $1.1 million ($6.67 per boe) in 2010. The increase in royalties and higher royalty rate per boe and as a percentage of revenue for the period is attributable to royalty holiday programs applicable to the new oil production at Dawson expiring in late 2010.

Royalties as a percentage of revenue for the balance of 2011 are expected to be approximately 30%, depending on commodity prices and the production rates.

Operating and transportation expenses

		Three months ended June 30			Six months ended June 30		
		2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
O&T	$m	375	290	29	946	639	48
Per boe	$	5.80	3.35	73	6.76	3.72	82

Operating and transportation expenses were $0.4 million, or $5.79 per boe, for the quarter ended June 30, 2011 compared to $0.3 million or $3.35 per boe, during the comparable period of 2010. The increase in operating and transportation expenses and the higher rate per boe is attributable to transportation charges associated with the new oil production and fixed costs associated with the gas production being allocated to a lower production base.

Operating and transportation expenditures per boe for the balance of 2011 are expected to trend higher.

General and administrative expense ("G&A") and Stock based compensation ("SBC")

		Three months ended June 30			Six months ended June 30		
		2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
G&A	$m	372	582	(36)	684	917	(25)
SBC	$m	53	85	(37)	125	265	(53)
Per boe							
G&A	$	5.74	6.72	(15)	4.89	5.34	(8)
SBC	$	0.83	0.98	(16)	0.89	1.54	(42)

For the quarter ended June 30, 2011, G&A decreased 36 percent as the Company negotiated a lower management fee with Grizzly Resources Ltd. For additional information on management fees refer to the related party section of this MD&A.

Interest expense

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	% Change
Interest expense	$m	250	161	55	488	321	52
Per boe	$	3.86	1.86	108	3.49	1.87	87

Interest expense for the three months and six months ended June 30, 2011 increased due to higher debt levels, interest rates and stand by fees.

The Company expects interest expense in 2011 will be significantly lower if the Shackleton property is sold and net proceeds are used to reduce outstanding debt levels.

Depletion and depreciation ("D&D")

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	% Change
DD&A	$m	252	717	(65)	978	1,296	(25)
Per boe	$	3.89	8.28	(53)	6.99	7.55	(7)

The D&D provision for the three months ended June 30, 2011 decreased 65% from $0.7 million to $0.3 million. The decrease in D&D is due to the transfer of the Shackleton property to "Assets held for sale" in 2011. Assets held for sale are not amortized further and a gain or loss will be recognized when the asset is sold. D&D per boe for the three months ended June 30, 2011 calculated exclusive of the Shackleton production was $19.37 an increase of 134% from the same period in the prior year. The increase is due to a higher depletion rate associate with the other producing properties.

The D&D rate per boe for the balance of 2011 will vary with drilling results and property dispositions.

Impairment of Property and equipment

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	% Change
Impairment	$m	-	300	(100)	-	4,300	(100)

In 2010, the Company assessed the carrying value of its Jedney, British Columbia CGU and determined that an impairment charge of $4.3 million should be recorded based on its estimated recoverable amount of the natural gas reserves discovered as compared to the costs incurred to drill and complete the Jedney gas well.

Deferred income taxes

		Three months ended June 30			Six months ended June 30		
		2011	2010	% Change	2011	2010	% Change
Deferred income tax (reduction)	$m	211	96	120	196	(453)	(143)

The deferred income tax expense increased in 2011 due to the gain recorded on the sale of a property.

Ironhorse is currently not taxable; the Company has approximately $30 million in tax pools to shelter taxable income in the future.

Field netback

	Three months ended June 30			Six months ended June 30		
$ Per boe	**2011**	**2010**	**% Change**	**2011**	**2010**	**% Change**
Revenue	36.93	30.99	19	37.85	32.15	18
Less: Royalties	12.15	5.73	112	12.71	6.67	91
Operating expenses	5.80	3.35	73	6.76	3.72	82
Field netback	18.98	21.91	(13)	18.38	21.76	(16)

Ironhorse's field netback per boe for the three months ended June 30, 2011 decreased 13% to $18.98 from $21.91 per boe for the corresponding 2010 period. The decrease is attributable to changes in the royalty rates on oil production as various royalty holidays expired in late 2010.

Field netbacks per boe in 2011 are expected to trend higher if the Shackleton gas property is sold as this would increase the oil weighting of the Company's production.

Funds from operations and Income/(loss)

		Three months ended June 30			Six months ended June 30		
		2011	**2010**	**% Change**	**2011**	**2010**	**% Change**
Funds from operations	$m	577	1,153	(50)	1,380	2,498	(45)
Basic and diluted per share	$	0.02	0.04	(50)	0.05	0.10	(50)
Net Income (loss)	$m	454	(69)	(758)	461	(2,958)	(116)
Basic and diluted per share	$	0.02	(0.01)	(300)	0.02	(0.02)	(200)
Weighted average shares							
Basic and diluted	m	27,873	27,331	2	27,875	25,781	28

Funds from operations for the six months ended June 30, 2011 decreased 45% to $1.4 million from $2.5 million in 2010. The decrease in funds from operations was due to increases in royalties, operating and interest expenses while revenues remained constant.

Net income of $0.5 million as compared to a loss is the result of recording a gain on the sale of a property and no longer recording depletion and depreciation with respect to the Shackleton property which was transferred to asset held for sale.

The increase in weighted average shares outstanding reflects the issuance of flow through shares in April 2010.

Capital expenditures

Expenditure category	Three months ended June 30			Six months ended June30		
$m	2011	2010	% Change	2011	2010	% Change
Land	34	3,121	(99)	589	3,121	(81)
Seismic	19	35	(46)	64	403	(84)
Drilling, completions and tie-in	29	1,367	(98)	(13)	8,134	(100)
G&A	87	259	(66)	133	503	(74)
	169	4,691	(96)	773	12,161	(94)

Area	Three months ended June 30			Six months ended June30		
$m	2011	2010	% Change	2011	2010	% Change
Saskatchewan	14	2,693	(99)	35	4,667	(99)
NE British Columbia	16	885	(98)	16	5,053	(100)
Alberta	53	854	(94)	589	1,938	(70)
G&A	86	259	(67)	133	503	(74)
	169	4,691	(96)	773	12,161	(94)

Capital expenditures decreased 94% from $12.2 million in 2010 to $0.8 million in 2011 as a result of the Company not drilling any wells in 2011. The majority of the capital expenditures in 2011 relate to the purchase of 4.25 sections of land at Hamilton Lake which are prospective for Viking oil.

Ironhorse plans to undertake up to a $10.5 million capital spending program in 2011 which will be financed through a combination of funds from operations and proceeds from selling petroleum and natural gas properties. The planned capital expenditures include equalizing into the 19.75 sections of land and drilling two (1 net) horizontal wells at Hamilton Lake; shooting 3D seismic and drilling three (2.3 net) vertical wells at Leon Lake and placing the two (0.4 net) Pembina oil wells on production.

Related Party Transactions

Ironhorse is party to a management services agreement with Grizzly Resources Ltd. ("Grizzly") a company related by virtue of common management. Pursuant to the terms of the agreement Grizzly provides technical and administrative services typically required in operating an oil and gas company. This arrangement has provided Ironhorse with the benefits of accessing a larger more comprehensive pool of technical and administrative services than it could otherwise afford during its early stage of development. Commencing January 1, 2011, Grizzly charges Ironhorse a fee of $50,000 per month plus a portion of the salaries paid to staff and key consultants of Grizzly based on their time spent on Company activities. In 2010, the management contract charged Ironhorse a fee based on units of production and a percentage of capital expenditures up until April and then a flat fee of $243,000 per month.

Management fees		Three months ended June 30			Six months ended June 30		
		2011	2010	%Change	2011	2010	%Change
Charged to G&A	$m	242	470	(49)	412	631	(35)
Capitalized	$m	86	259	(67)	112	503	(78)
	$m	328	729	(55)	524	1,134	(54)

The Company and Copper Island Resources Ltd a company related by virtue of common management ("CIRL") entered into an agreement to pool their respective lands in the Hamilton Lake area on the basis of acquisition costs. Ironhorse acquired a 100% interest in four sections of land in February 2011 at a cost of $0.5 million and CIRL acquired a 100% working interest in 19.75 sections of land in March 2011 at a cost of $4.5 million. The Company had the option to equalize into all of the lands prior to July 9, 2011 in exchange for a cash payment of $2.0 million; the option was not exercised prior to the deadline. Ironhorse and CIRL negotiated an extension of the equalization option to October 31, 2011 in exchange for the Company transferring its 100% interest in the four sections of land to CIRL for a dollar; if Ironhorse does not exercise its equalization option CIRL will retain a 100% interest in the four sections. In addition to equalizing on land costs CIRL has incurred costs of approximately $2.5 million to drill, complete, equip and tie-in a horizontal oil well. In order for Ironhorse to exercise its equalization option it must pay $3.5 million prior to October 31, 2011.

Normal course issuer bid ("NCIB")

On February 9, 2011, the Company continued its program to purchase for cancellation its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities law.

Pursuant to the terms of the normal course issuer bid, Ironhorse may purchase for cancellation, as Ironhorse considers advisable, up to a maximum of 2,343,216 common shares during the 12 month period commencing February 9, 2011. The purchases are to be made on the open market through the TSX Venture Exchange. PI International Corp. is the brokerage firm conducting the normal course issuer bid on behalf of the Company.

Ironhorse believes that the purchase of its common shares will create shareholder value as market prices for its common shares do not always reflect the underlying value of its oil and gas reserves. To the extent that the Company is able to purchase shares on the open market for cancellation there is a proportionate increase in the value attributable to remaining outstanding common shares.

During the six months ended June 30, 2011, the Company acquired 5,000 common shares at an average cost of $0.37 per share. Subsequent to June 30, 2011 the Company acquired an additional 5,000 shares at a cost of $0.30 per share.

Liquidity and capital resources

Oil and gas exploration and development is a capital intensive business. Periodic infusions of additional capital may be required to accelerate the rate of the Company's growth. Ironhorse chooses to finance its ongoing capital expenditure program through a combination of reinvesting funds from operations, bank borrowing, issuing additional share equity and proceeds from the sale of assets.

The Company had drawn $14.3 million against its $17 million credit facility at June 30, 2011. The Company's credit facility, reviewable annually, is with a Canadian financial institution. Draws against the credit facilities are made by way of direct advances or guaranteed notes. Direct advances bear interest at the financial institution's prime lending rate plus 2.25%. The monthly unused portion of the credit facility is subject to an annualized fee of 0.80%. The loan is secured by all of the Company's assets. Principal repayments are required only if the borrowing base is exceeded.

The credit facility is currently being reviewed by the financial institution. The initial renewal proposal contemplates two separate credit facilities in aggregate for $17 million. Credit facility #1 in the amount of $12.9 million would be available on the terms outlined above and Credit facility #2 in the amount of $4.1 million would be available to finance the Company's activities at Pembina, Leon Lake and Hamilton Lake the applicable interest would be 2% higher than Credit facility #1. The initial proposal requires the Company to: sell Shackleton prior to October 31, 2011; construction of the Pembina flow lines from the existing oil wells to the oil battery by November 15, 2011; and obtain ERCB approval for an increase in the oil battery's sour gas rating prior to December 15, 2011.

The Company is currently marketing its interest in the Shackleton, Saskatchewan gas property. If the property is sold net sale proceeds will be used to pay down the credit facility leaving the Company with a $6.1 million in credit facility.

Contractual obligations

Ironhorse has various contractual obligations and commitments arising in the normal course of operations and financing activities. These obligations and commitments have been considered when assessing the cash requirements in the above discussion of future liquidity.

The Company completed a $5.2 million flow-through financing in 2010. Pursuant to the terms of the financing, Ironhorse is obligated to spend the gross proceeds on qualifying Canadian exploration expenditures. As at June 30, 2011, Ironhorse had incurred $1.5 million of qualifying expenditures and is required to incur an additional $3.7 million of qualifying Canadian exploration expenses prior to December 31, 2011. The Company plans to drill wells and shoot seismic at Leon Lake, Saskatchewan in order to satisfy these expenditure commitments. The Company could incur penalties if it does not incur all of the $5.2 million in qualifying expenditures prior toe December 31, 2011.

Selected quarterly information

		2011 IFRS		**2010 CND GAAP**				**2009 CND GAAP**	
	Unit	*Q2*	*Q1*	*Q4*	*Q3*	*Q2*	Q1	Q4	*Q3*
Financial									
Revenue	$m	2,380	2,915	2,788	2,628	2,682	2838	2,183	1,858
Funds from operations	$m	577	803	554	840	1,153	1,345	653	798
Per share basic & diluted	$	0.02	0.03	0.02	0.03	0.04	0.06	0.03	0.04
Income/(loss)	$m	454	7	(366)	(416)	(231)	(228)	(511)	(653)
Per share basic & diluted	$	0.02	0.00	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)
Capital expenditures	$m	169	604	140	1,260	4,691	7,470	2,609	384
Net Debt	$m	13,851	14,650	14,849	15,233	14,799	16,041	9,909	11,142
Total Assets	$m	43,581	43,489	45,783	46,010	46,355	42,483	36,491	34,438
Operational									
Production									
Natural gas	mcf/d	3413	3,635	3,947	4,298	4,633	5,044	5,560	6,252
Light oil & Ngls	bbls/d	143	229	223	203	179	105	10	8
Total	boe/d	711	835	881	919	951	946	937	1,051
Average price									
Natural gas	$/mcf	3.54	3.58	3.37	3.31	3.61	4.64	4.15	3.15
Light oil & Ngls	$/bbl	99.55	83.93	76.24	72.24	71.08	77.61	66.91	57.24
Boe	$/boe	36.93	38.78	34.41	31.41	30.99	33.34	25.35	19.22
Field Netback	$/boe	18.98	18.00	17.59	18.66	21.91	21.61	14.15	12.20
Shares outstanding weighted average	m	27,873	27,876	27,876	27,885	27,331	24,214	22,859	21,663

In the first quarter of 2010 and 2009 the Company drilled oil and gas wells which resulted in production increasing in the second quarter of each year, no additional wells were drilled in the first half of 2011.

ADDITIONAL INFORMATION

Additional information regarding Ironhorse Oil & Gas Inc., including the Company's Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website at www.ihorse.ca.