

Ironhorse Oil & Gas Inc.

Interim Condensed Financial Statements Unaudited Nine Months Ended September 30, 2011

Management's Report

The accompanying unaudited condensed interim financial statements of Ironhorse Oil & Gas Inc. for the three and nine months ended September 30, 2011 have been prepared by management and were approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

Dated November 24, 2011

On behalf of Ironhorse Oil & Gas Inc.

Signed "Larry J. Parks"

Larry J. Parks
President & Chief Executive Officer

signed "Rob Solinger"

Rob Solinger
President & Chief Executive Officer

Ironhorse Oil & Gas Inc.
Unaudited
Interim Statements of Financial Position

<i>(\$000s)</i>	Notes	September 30, 2011	December 31, 2010	January 1, 2010
			(Note 20)	(Note 20)
Assets				
Current assets				
Cash		\$ 18	\$ 23	\$ 345
Accounts receivable		3,322	2,259	1,009
		3,340	2,282	1,354
Assets held for sale	6	9,617	-	-
			2,282	1,354
Exploration and evaluation assets	5	5,907	5,041	3,327
Property and equipment	6	23,370	36,968	31,810
		\$ 42,234	\$ 44,291	\$ 36,491
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,218	\$ 867	\$ 2,513
Credit facility	7	15,367	16,264	8,750
Flow-through obligation	9	364	528	503
		17,949	17,659	11,766
Decommissioning obligations	8	1,253	2,515	2,220
Deferred income tax	9	2,276	2,299	2,012
		21,478	22,473	15,998
Shareholders' Equity				
Common shares	10	29,869	29,884	25,768
Contributed surplus		1,933	1,797	1,423
Deficit		(11,046)	(9,863)	(6,698)
		20,756	21,818	20,493
Going concern, subsequent events & commitments	2,6,7,16			
		\$ 42,234	\$ 44,291	\$ 36,491

Ironhorse Oil & Gas Inc.
Unaudited
Interim Income Statements

<i>(\$000s except per share)</i>	Notes	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
			(Note 20)		(Note 20)
Revenue					
Petroleum and natural gas		\$ 1,671	\$ 2,628	\$ 6,966	\$ 8,148
Royalties		(431)	(474)	(2,209)	(1,619)
		1,240	2,154	4,757	6,529
Expenses					
Operating and transportation		495	592	1,441	1,231
Exploration and evaluation		-	11	-	12
Depletion and depreciation		164	763	1,142	2,059
Impairment	15	2,103	-	2,103	4,300
General and administrative	11,13	225	532	909	1,449
Gain on sale of property	14	6	-	(398)	-
Finance	7,12	275	212	787	580
Stock-based compensation	9	1	76	126	341
		3,269	2,186	6,110	9,972
Loss before taxes		(2,029)	(32)	(1,353)	(3,443)
Taxes					
Capital		(1)	2	18	2
Deferred income tax (reduction)	8	(384)	100	(188)	(353)
Loss and comprehensive loss		\$ (1,644)	\$ (134)	\$ (1,183)	\$ (3,092)
Loss per share					
Basic and diluted	9	\$ (0.06)	\$ -	\$ (0.04)	\$ (0.11)

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Interim Statements of Changes in Equity

(\$000s)	Notes	Number of Common Shares	Common Shares	Contributed Surplus	Deficit	Total Shareholders' Equity
January 1, 2010	19	24,186,081	\$ 25,768	\$ 1,423	\$ (6,698)	\$ 20,493
Issue of flow-through shares for cash		3,683,143	5,156	-	-	5,156
Premium on flow-through shares		-	(737)	-	-	(737)
Exercise of stock options		58,000	44	(15)	-	29
Shares repurchased for cancellation		(51,400)	(57)	(2)	-	(59)
Share issue costs		-	(366)	-	-	(366)
Tax effect of share issue costs		-	106	-	-	106
Stock-based compensation		-	-	341	-	341
Loss for the period		-	-	-	(3,092)	(3,092)
September 30, 2010	19	27,875,824	29,914	1,747	(9,790)	21,871
Share issue costs		-	(30)	-	-	(30)
Stock-based compensation		-	-	50	-	50
Loss for the period		-	-	-	(207)	(207)
December 31, 2010	19	27,875,824	29,884	1,797	(9,863)	21,818
Shares repurchased for cancellation		(15,000)	(15)	10	-	(5)
Stock-based compensation		-	-	126	-	126
Loss for the period		-	-	-	(1,183)	(1,183)
September 30, 2011		27,860,824	29,869	1,933	(11,046)	20,756

Ironhorse Oil & Gas Inc.
Unaudited
Interim Statements of Cash Flow

<i>(\$000s)</i>	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Operating activities				
Loss for the period	(1,644)	(134)	(1,183)	(3,092)
Adjustments for				
Exploration and evaluation	-	11	-	12
Depletion and depreciation	164	763	1,142	2,059
Impairment of property and equipment	2,103	-	2,103	4,300
Gain on sale of property	6	-	(398)	-
Deferred income tax (reduction)	(384)	100	(188)	(353)
Accretion	12	24	36	71
Stock-based compensation	1	76	126	341
Funds from operations	258	840	1,638	3,338
Changes in non-cash working capital	(486)	(200)	19	(525)
	(228)	640	1,657	2,813
Financing activities				
Issuance of common shares, net	-	(15)	-	4,775
Credit facility borrowings (repayments)	(132)	550	(896)	7,000
Exercise of stock options	-	15	-	37
Purchase of common shares for cancellation	(3)	(13)	(5)	(53)
Proceeds on disposal of oil and gas properties	(6)	-	370	-
	(142)	537	(531)	11,759
Investing activities				
Exploration and development	(642)	(1,260)	(1,399)	(13,421)
Change in non-cash working capital	(184)	70	268	(1,473)
	(826)	(1,190)	(1,131)	(14,894)
Change in cash	(1,196)	(13)	(5)	(322)
Cash, beginning of the period	1,214	36	23	345
Cash, end of the period	18	23	18	23

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Notes to Interim Financial Statements
September 30, 2011

1. Corporate Information

Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") is incorporated under the Business Corporations Act of Alberta and headquartered at 1000, 324 -8th Avenue SW, Calgary, Alberta. The Company's shares are listed on the TSX Venture Exchange under the symbol IOG-V. Ironhorse is engaged in the exploration for, development and production of petroleum and natural gas reserves in western Canada.

2. Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's assets are largely comprised of interests in oil and natural gas reserves the realization of these assets is dependent upon various factors, including: oil and natural gas commodity prices; the Company's ability to obtain the funds necessary to execute its capital expenditure program including fulfilling its 2010 flow-through expenditure commitments prior to December 31, 2011; placing the Pembina oil wells on production; future profitability and the disposition of various oil and natural gas properties on an advantageous basis. If the Company is unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has been negatively impacted by an extended period of low natural gas prices and continuing delays with respect to placing the Pembina oil wells on production. Ironhorse has incurred losses of \$1.2 million and \$3.2 million for the periods ended September 30, 2011 and December 31, 2010, respectively and is highly levered with a net debt to annualized funds flow from operations ratio of 14:1 at September 30, 2011. The Company's liquidity risks are more fully described in Note 18. These factors raise significant doubt about Ironhorse's ability to continue as a going concern.

Management's plans for addressing the above factors include: the sale of various assets to pay down its credit facilities; placing the Pembina oil wells on production and reducing general and administrative expenses. Towards this end the Company has undertaken the following:

- On October 26, 2011, Ironhorse sold its interests in the Shackleton natural gas property for net proceeds of \$9.5 million and is currently marketing other oil and natural gas properties which may generate sufficient sale proceeds to further reduce the outstanding bank debt;
- The Company continues to make progress with respect to placing the Pembina oil wells on production having entered into a production sharing agreement earlier this year with its working interest partners. As a result the Pembina oil wells are expected to commence production in 2012.
- The Company is negotiating a reduction in management fees.

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There is no assurance that the steps taken to date or plans to take in the future will be successful. These financial statements do not reflect any adjustments related to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern. Any adjustments necessary to the Financial Statements if the Company ceases to be a going concern could be material.

3. Basis of Preparation

a) Statement of Compliance

These condensed interim financial statements ("Financial Statements") of the Company have been prepared by management in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). These Financial Statements do not include all of the information required for full annual financial statements. These Financial Statements use the accounting policies which the Company expects to adopt in its annual financial statements for the year ended December 31, 2011 which will be the first full fiscal period reported under International Financial Reporting Standards ("IFRS"). An explanation of how the transition to IFRS has affected the previously reported financial position and results from operations is contained in Note 15. These Financial Statements have been prepared in accordance with IFRS currently issued and expected to be effective as at and for the year ended December 31, 2011. Any subsequent changes to IFRS reflected in the Company's annual financial statements could result in restatement of these Financial Statements.

These Financial Statements were authorized for issuance by the Board of Directors on November 24, 2011.

b) Basis of Measurement

These Financial Statements have been prepared on a historical cost basis with some exceptions in accordance with IAS 34 and are presented in Canadian dollars, with all values rounded to the nearest thousand except when indicated otherwise.

c) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

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Specifically, amounts recorded for depletion, depreciation and amortization expense, decommissioning liabilities, deferred income taxes, stock-based fair value measurements and amounts used in impairment tests are based on estimates. These estimates include petroleum and natural gas reserves, future petroleum and natural gas prices, future interest rates and future costs associated with developing petroleum and natural gas reserves. The process of estimating reserves is complex and requires significant interpretation and judgment. It is affected by economic conditions, production, operating and development activities and is based on available geological, geophysical, engineering and economic data. Reserves are annually evaluated by the Company's independent reserve evaluators. Future development costs are based on assumptions and costs estimates required for the commercial production of reserves and may include drilling wells and constructing facilities.

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these Financial Statements.

a) Property and Equipment and Exploration and Evaluation Assets

i. Pre-license costs

Pre-license costs are expenditures incurred before obtaining the legal rights to explore for the petroleum and natural gas reserves in a specific area. These costs, the most significant of which is the acquisition and interpretation of seismic data, are expensed in the period in which they are incurred, as they do not meet the definition of an asset under IFRS.

ii. Exploration and evaluation ("E&E") costs

Land acquisition costs and expenditures directly associated with drilling and evaluating exploratory wells including directly attributable administrative costs are capitalized as E&E assets. The costs are accumulated by area and remain capitalized until the Company has chosen to discontinue all exploration activity in the area. Successful exploration activities, which establish technically feasible and commercially viable petroleum and natural gas reserves, result in the reclassification of E&E costs to petroleum and natural gas properties. Technical feasibility and commercial viability are established when proved and probable reserves are determined to exist. A review of each area is carried out at least annually to ascertain whether proved and probable reserves have been discovered and to assess the capitalized E&E costs for impairment.

iii. Property and equipment costs

Property and equipment costs include drilling, completion and equipping expenditures, production facilities and pipelines and directly attributable general and administrative cost are capitalized to petroleum and natural gas properties.

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Drilling credits earned under government incentive programs are recorded as a reduction of the petroleum and natural gas properties.

Gains and losses on the dispositions of petroleum and natural gas properties are determined by comparing the sale proceeds with the carrying amount of the asset.

iv. Depletion and depreciation

The capitalized petroleum and natural gas costs plus future development costs, if any, are depleted and depreciated using the unit-of-production ("UOP") method based on the Company's interest in proved plus probable reserves of petroleum and natural gas calculated before royalties. Estimated proved plus probable reserves are based on reports prepared by independent engineering consultants. Petroleum substances are converted to volumes of energy equivalent barrels of oil at a conversion rate of six thousand cubic feet ("mcf") of natural gas to one barrel of crude oil.

The calculation of the UOP rate of amortization could be impacted to the extent that actual production in the future is different from the current forecast production based on proved plus probable reserves. This would result from significant changes in any of the factors or assumptions used in estimating reserves.

v. Impairment test

Development costs net of accumulated depletion and depreciation are grouped into cash generating units ("CGU"). The Company has grouped its development assets into the following CGU's: Hamilton Lake, Jedney, Leon Lake, Pembina and Shackleton.

The Company performs an impairment test whereby the carrying value of its petroleum and natural gas properties is compared at the end of each reporting period to a recoverable amount. The recoverable amounts for the CGU and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumption. It is reasonably possible that the oil or gas price assumption may change, which may then impact the estimated life of the field and may require a material adjustment to the carrying value of tangible assets. The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets.

The recoverable amount is an estimate of the discounted future net cash flow before tax from the production of proved plus probable reserves less the cost to develop properties. Cash flow is estimated using forecast prices, less estimated costs directly associated with the development, production and sale of reserves. Net cash flows are discounted to their present value using a discount rate that reflects the markets assessments of the time value of money and the risks specific to the asset. E&E assets are assessed for impairment when they are reclassified to petroleum and natural gas properties and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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b) Assets Held for Sale

Non current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continued use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, with impairments recognized in the profit or loss in the period.

c) Decommissioning Obligations

The Company recognizes decommissioning liabilities for future obligations associated with the retirement of petroleum and natural gas properties. The amount recognized is the net present value of the estimated future expenditures determined in accordance with current requirements and technologies. The decommissioning liability is calculated based on current cost estimates to reclaim and abandon wells and facilities, inflated to the estimated retirement date and then discounted using a risk free discount rate. The liability is recorded in the period that the obligation is created with a corresponding increase in the carrying value of the related asset. The liability is progressively accreted over time as the effect of discounting unwinds.

In subsequent periods, the liability is adjusted for the change in present value and any changes in the amount or timing of the underlying future cash flows required for settlement of the obligation with a corresponding charge to property and equipment. Adjustments to the ARO liability are a normal occurrence as changes in estimates with respect to amount and timing of the costs will occur over time.

d) Joint Ventures

Substantially all of the Company's petroleum and natural gas exploration and development activities are conducted jointly with other industry partners and accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

e) Income Taxes

The Company uses the liability method for accounting for deferred income taxes. Under this method, the Company records future income tax assets and liabilities based on any differences between the accounting and the tax basis of an asset or liability using the currently enacted tax rates on the balance sheet date. The effect on future tax assets and liabilities of a change in tax rates is recognized in net income in the period when the change is substantially enacted into law. A valuation allowance is recorded against any future income tax assets if it is probable that the asset will not be realized.

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f) Flow-through Shares

The Company has financed some of its exploration and development activities through the issuance of common shares on a flow-through basis, pursuant to the terms of a flow-through financing the tax deductions associated with the resource expenditure are renounced to investors in accordance with income tax legislation. The Company allocates the proceeds received from the flow-through financing between the offering of shares and the sale of a tax benefit. The amount recorded in share capital is based on the current market price of the shares and the difference is recorded as a current liability. The deferred tax liability is recognized when the expenditures are incurred and renouncement is probable. The flow-through share liability is reversed at that time and the difference between the amount of the deferred tax liability and the flow-through share liability is charged to deferred income tax expense.

g) Normal Course Issuer Bid ("NCIB")

Pursuant to the terms of the current NCIB, Ironhorse may repurchase common shares on the open market for cancellation. The difference between cost to repurchase the common shares and the average carrying value of the shares is charged to contributed surplus.

h) Stock-based Compensation

In accordance with the Company's stock option plan stock options may be granted to directors, officers, employees and consultants. The Company follows the fair value method to record the compensation expense for stock options granted under its stock option plan. Under this method, the Company estimates the fair value of stock options using the Black-Scholes option pricing model on the date of granting. Key components of the Black-Scholes model include estimates with respect to share price volatility; a risk free discount rate, option forfeitures and the expected life. Over the vesting period, the Company records stock-based compensation expense on the Statement of Income with a corresponding increase to contributed surplus. When stock options are exercised, the amortized portion of the value of the stock option is transferred from the contributed surplus to the share capital account.

i) Revenue Recognition

Revenue from the sale of petroleum and natural gas is recognized when deliveries of the products are made to third parties and collection is reasonably assured.

j) Per Share Information

Basic and diluted per share amounts are calculated based on the weighted average number of shares outstanding for each period. Common shares issued during the period are included in the weighted average number of common shares from the date the consideration is received by the Company.

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The weighted average number of diluted common shares outstanding is calculated using the treasury stock method which assumes that any proceeds received from in-the-money stock options would be used to buy back common shares at the average market price for the period. Anti-dilutive items are not included in the calculation.

k) Financial Instruments

Financial Instruments are classified as held for trading, held to maturity, loans and receivables, available for sale, and other liabilities. All of these classifications are measured initially at fair value, with subsequent measurements at amortized cost, except instruments held for trading or available for sale. Amortized cost is calculated using the effective interest rate method.

Changes in the amortized cost are recognized into income through amortization using the effective interest method or when the instrument is impaired or derecognized. Any related transactions costs are recognized into net income in the period incurred.

Financial instruments held for trading are subsequently measured at fair value, with gains and losses recognized in net income in the period they arise.

Financial instruments available for sale are subsequently measured at fair value, with gains and losses arising recorded in comprehensive income. These gains and losses are recognized into net income when the instrument is sold, impaired, or derecognized.

5. Exploration and Evaluation assets (“E&E”)

E&E assets consist of the Company’s exploration projects which are pending the determination of proved and probable reserves.

As at September 30, 2011, the carrying value of the exploration and evaluation assets was comprised of \$4.3 million in undeveloped land and \$1.6 million in intangible exploration and evaluation assets.

E&E Cost	
January 1, 2010	\$ 3,327
Additions	8,962
Exploration and evaluation expense	(12)
Transfers to petroleum and natural gas properties	(7,236)
December 31, 2010	5,041
Additions	1,430
Exploration and evaluation expense	-
Transfers to petroleum and natural gas properties	-
September 30, 2011	\$ 6,471

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E&E Accumulated impairment	
January 1, 2010	\$ -
Impairment	(4,000)
Impairment transfer to petroleum and natural gas properties	4,000
December 31, 2010	-
Impairment	(564)
September 30, 2011	\$ (564)
E&E Carrying amount as at	
January 1, 2010	\$ 3,327
December 31, 2010	5,041
September 30, 2011	\$ 5,907

6. Property and Equipment (“P&E”)

P&E Cost	
January 1, 2010	\$ 31,810
Additions	4,846
Transfers from E&E	7,236
Changes in decommissioning liabilities	200
December 31, 2010	44,092
Additions	248
Equalization credit	(262)
Transfers from E&E	-
Transfers to assets held for sale	(9,617)
Changes in decommissioning liabilities	(1,295)
September 30, 2011	\$ 33,166
P&E Accumulated depletion, depreciation and impairment	
January 1, 2010	\$ -
Depletion and depreciation	(2,824)
Impairment	(300)
Impairment transfers from E&E	(4,000)
December 31, 2010	(7,124)
Depletion and depreciation	(1,133)
Impairment	(1,539)
September 30, 2011	\$ (9,796)
P&E Carrying amount as at	
January 1, 2010	\$ 31,810
December 31, 2010	36,968
September 30, 2011	\$ 23,370

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During the period ended September 30, 2011 the Company capitalized \$0.3 million (December 31, 2010 - \$0.8 million) of general and administrative expenses. Estimated future development costs of \$10.1 million (December 31, 2010 - \$10.1 million) were included in the calculation of depletion and depreciation for the period ended September 30, 2011.

The Company has recorded drilling credits of \$0.5 million as a reduction of property and equipment (December 31, 2010 - \$0.4 million).

The Shackleton, Saskatchewan gas property was reclassified to assets held for sale earlier this year when the decision was made to market the property. On October 26, 2011 the property was sold for net proceeds of \$9.5 million as compared to its carrying value of \$11.0 million as a result the Company recorded an impairment charge of \$1.5 million effective September 30, 2011

7. Credit Facilities

At September 30, 2011 the Company had a \$17 million revolving demand credit facility (December 31, 2010 - \$17 million) with a Canadian financial institution comprised of a \$12.9 million operating loan facility and a \$4.1 million bulge loan facility. Draws against the operating loan facility are made by way of direct advances or guaranteed notes with interest rates varying on a sliding scale based on the Company's debt to cash flow ratio; currently direct advances bear interest at the financial institution's prime lending rate plus 2.25% and guaranteed note advances bear interest at a base rate of 3.75% plus an applicable fee. Draws against the bulge loan facility are made by way of direct advances and currently bear interest at the financial institution's prime lending rate plus 4.25%. The bulge facility is available to the Company until March 30, 2012 to fund its capital expenditures at Leon Lake and Pembina. The monthly unused portion of the operating facility is currently subject to an annualized fee of 0.80% and the unused portion of the bulge loan facility is subject to an annualized fee of 1.3%. The credit facility is secured by a general security agreement providing a first floating charge over all of the Company's assets. The credit facility is reviewed annually with the next review date set for July 31, 2012.

The credit facility is subject to the following conditions the Company is required to: sell the Shackleton property prior to November 30, 2011; construct oil flow lines from the existing Pembina oil wells to an oil battery on or before February 28, 2012; obtain regulatory approval for an increase in the Pembina oil battery's sour natural gas rating prior to December 30, 2011 and either sell its interest in the Pembina oil wells or seek a redetermination of the borrowing base.

As noted above the Shackleton property was sold in October and net proceeds were used to pay down the credit facility. Subsequent to the sale of the Shackleton property the amount available to the Company on its credit facility was reduced from \$17 million to \$10.2 million comprised of an operating loan facility of \$6.1 million and a \$4.1 million bulge loan facility.

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8. Decommissioning Obligations

	September 30	December 31
	2011	2010
Beginning of the period	\$ 2,515	\$ 2,220
New liabilities	-	217
Disposition of liabilities	(79)	(17)
Change in estimates	(1,219)	-
Accretion expense	36	95
End of the period	1,253	\$ 2,515

Ironhorse's decommissioning liabilities result from the net ownership interests in petroleum and natural gas assets including well sites, gathering systems and production equipment. The Company estimates the total undiscounted amount to settle the Company's decommissioning liabilities is \$2.2 million (December 31, 2010 - \$3.5 million). These costs are expected to be incurred over the next 25 years with the majority of the costs being incurred between 2026 and 2029. A risk free rate of 4% and an inflation rate of 2% were used to calculate the present value of the decommissioning liabilities.

9. Deferred Income Tax

The deferred income tax reduction differs from the amount that would be computed by applying the basic combined Federal and Provincial income tax rates to a loss before taxes. The differences result from the following items:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Loss before tax	(2,029)	(32)	(1,353)	(3,443)
Current statutory tax rate	27.5%	29%	27.5%	29%
Anticipated reduction	(558)	(10)	(372)	(998)
Add (deduct)				
Non-deductible stock-based compensation	-	22	35	99
Other non-deductible charges	10	1	34	6
Reversal of flow-through share premium	156	88	164	570
Effect of change in income tax rate	8	(1)	(49)	(30)
Deferred income tax (reduction)	(384)	100	(188)	(353)

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10. Shareholders' Equity

The Company is authorized to issue an unlimited number of common shares. The holders of common shares are entitled to one vote per share and to receive dividends as declared by the company.

a) Financings

On April 15, 2010, the Company completed a brokered private placement of 3,683,143 common shares issued on a flow-through basis at a price of \$1.40 per share for gross proceeds of \$5.2 million. Issue costs were \$0.4 million with a tax impact of \$0.1 million. Pursuant to the terms of the placement the Company is obligated to incur \$5.2 million of qualifying Canadian exploration expenditures prior to December 31, 2011. The expenditures were renounced to the investors in February of 2011 with an effective date of December 31, 2010.

b) Stock-based compensation

The Company has a stock option plan that entitles officers, directors, employees and consultants to acquire common shares in the Company. The number of stock options outstanding at any point in time is limited to 10% of the common shares then outstanding.

The following tables summarize information about the Company's stock options outstanding as at September 30, 2011:

	Number of options	Weighted average exercise price
December 31, 2010	2,370,817	\$1.04
Granted	200,000	0.40
Forfeited	512,748	1.15
September 30, 2011	2,058,069	\$0.95

c) Per share amounts

The following table summarizes the weighted average common shares used in calculating net loss per share:

	Nine months ended September 30	
	2011	2010
Weighted average number of shares - basic	27,872,000	27,885,000
Effect of dilutive stock options	-	-
Weighted average number of shares - diluted	27,872,000	27,885,000

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No options to purchase common shares were included in the calculation because in a net loss position all options are considered anti-dilutive.

11. Related Party Transactions

The Company, Grizzly Resources Ltd. ("GRL") and Copper Island Resources Ltd. ("CIRL") are considered related by virtue of common management. The Company, GRL and CIRL are also significant joint venture partners in Ironhorse's operating areas. The Company has entered into a management contract with GRL to provide technical and administrative services. The management fee charged in 2011 is a flat fee of \$50,000 per month for administrative services plus a portion of the salaries and wages paid by GRL to the Company's senior officers and technical employees and consultants based on their time spent on Ironhorse activities.

Management fees paid to GRL were as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Fees expensed to G&A	\$ 155	\$ 600	\$ 567	\$ 1,231
Fees capitalized	109	124	242	626
Management fees	\$ 264	\$ 724	\$ 809	\$ 1,857

The inter-company receivable balances due from related parties were as follows:

	September 30, 2011	December 31, 2010
Grizzly Resources Ltd.	\$ 462	\$ 11
Copper Island Resources Ltd.	1,893	-
Total inter-company receivables	\$ 2,355	\$ 11

The amounts outstanding at September 30, 2011 were settled in November 2011.

The Company and 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 CRL for a dollar. Ironhorse did not have the funds necessary to exercise its equalization option therefore CIRL will retain a 100% interest in the four sections and the Company has recorded an impairment charge of \$0.5 million with respect to its Hamilton Lake lands in the quarter ended September 30, 2011.

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12. Finance Expenses

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Interest	\$ 250	\$ 188	\$ 750	\$ 509
Accretion	12	24	36	71
Total	\$ 262	\$ 212	\$	\$ 580

13. General and Administrative (“G&A”) Expenses

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Management fees	\$ 155	\$ 507	\$ 567	\$ 1,139
Salaries and benefits	55	54	177	166
Other	59	59	268	146
Operating recoveries	(44)	(88)	(103)	(94)
G&A expenses	\$225	\$ 532	\$909	\$1,449

14. Gain on Sale of Property

The Company sold its interest in the Lochend property in May 2011 for gross proceeds of \$0.4 million. A gain on sale was recognized of \$0.4 million as the property had a nominal carrying value.

15. Impairment

For the period ended September 30, 2011, the Company recorded an impairment charge of \$2.1 million (2010 - \$4.3 million) comprised of a \$1.6 million charge with respect to the carrying value of its Shackleton, Saskatchewan gas property and \$0.5 million with respect to the carrying value of its Hamilton Lake property. The decision to reduce the carrying value of the Shackleton property, which had been reclassified earlier this year to assets held for sale, was based on the purchase offers received for the property. The decision to impair the Hamilton Lake property was based on the Company’s expectation that it would not be exercising its option to equalize into the Hamilton Lake lands prior to October 31, 2011 and would therefore be forfeiting its interest in the lands acquired earlier this year.

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16. Commitments

As at September 30, 2011, the Company had incurred \$2.4 million of qualifying Canadian exploration expenditures with respect to the April 2010 \$5.2 million flow-through financing. Ironhorse is required to incur \$2.8 million of additional qualifying Canadian exploration expenditures prior to December 31, 2011. Ironhorse plans to fulfill these expenditure commitments by drilling wells and shooting seismic primarily at Leon Lake in the fourth quarter of 2011. The Company could incur penalties to the extent that it does not incur all \$5.2 million of the qualifying expenditures prior to December 31, 2011.

17. Management of Capital Structure

Ironhorse's strategy is to maintain a capital structure which will sustain and grow the Company while retaining creditor and investor confidence. Ironhorse's capital structure includes shareholders' equity, credit facilities and working capital. In managing its capital structure, the Company considers future investments and acquisition opportunities; the current level of credit available from the Company's lender; the amount of credit that may be obtainable from the Company's lender as a result of changes in reserve values; the availability of other sources of debt; the sale of assets; adjustments to the current capital expenditures program; and issuance of new share equity. The Company's objective is to maintain a flexible capital structure that will allow it to execute its capital expenditures program, including exploration and development of its oil and gas properties and acquisition and disposition transactions which all carry varying amounts of risk. Ironhorse continually strives to balance the proportion of debt and equity in its capital structure to take into account the level of risk being incurred in its capital expenditures program. Ironhorse may from time to time, issue shares, sell properties or adjust its capital spending to manage current and projected debt levels.

The methods used by the Company to monitor capital is based on the ratio of net debt to annualized funds from operations and also the ratio of net debt to the maximum amount of the Company's credit facility.

The first net debt ratio is calculated as net debt, defined as current assets less assets held for sale minus current liabilities less flow-through share obligation, divided by annualized funds from operations which is calculated as the current quarter ended funds from operations times four.

The second net debt ratio is calculated as net debt divided by the credit facility available. Ironhorse's current strategy is to maintain a ratio of net debt to annualized funds from operations of no more than 2.0 to 1.0 and its ratio of net debt to credit facility availability at less than 90%. The ratios may increase at certain times as a result of capital expenditures, which are necessary to bring new reserves on production, and commodity prices being significantly lower than those used in the budget. The annual and updated budgets are based on current commodity prices and production rates. As at September 30, 2011, Ironhorse's ratio of net debt to annualized funds from operations was 13.8 to 1.0 (December 31, 2010 – 6.7 to 1.0) which is well outside the Company's optimal ratio due to sustained low natural gas prices and delays with respect to placing the Pembina oil wells on production. The Company expects to be outside its self imposed optimal ratio until such time as one or a combination of the following changes occurs: the Pembina oil wells are on production or the

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Company receives an additional infusion of cash from the sale of an oil and gas property. As noted above the Company sold its working interest in the Shackleton gas property in October 2011 and is currently marketing its Jedney property.

The Company's ratio of net debt to credit facility availability was 84% (December 31, 2010 – 87%), which was within the range established by the Company.

Ironhorse expects to sell the Jedney property prior to March 31, 2012 for sufficient cash proceeds to repay its bulge loan facility and pay down its operating line.

The Company's share capital is not subject to external restrictions but the Company does have financial covenants in regards to its credit facility. The credit facility requires the Company to maintain a working capital ratio of not less than 1:1 for the period of April to December and permits a maximum working capital deficit of \$1 million for the period of January to March. The working capital ratio is calculated as current assets plus unused portion of the credit facility divided by current liabilities excluding any amount drawn under the credit facilities. The Company has complied with these financial covenants.

	September 30, 2011	December 31, 2010
Current assets less assets held for sale	\$ 3,340	\$ 2,282
Current liabilities less flow-through share obligations	17,585	17,131
Net debt	14,245	14,849
Annualized funds flow from operations	\$ 1,032	\$ 2,216
Ratio of net debt to annualized funds flow	13.8	6.7
Credit facility availability	\$ 17,000	\$ 17,000
Ratio of net debt to credit facility availability	0.84	0.87

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18. Financial Instruments

Financial instruments consist of recorded amounts for cash, deposits, accounts receivable which will result in future cash receipts, as well as accounts payable, accrued liabilities and credit facilities which will result in future cash outlays. In management's opinion, the Company's carrying values for: cash, accounts receivable, accounts payable, accrued liabilities and credit facilities approximate their fair values due to their immediate or short-term maturity.

Fair value measurement of assets and liabilities recognized on the balance sheet are categorized into levels within a fair value hierarchy based on the nature of valuation inputs. The fair value hierarchy has the following levels:

- Level 1 Quoted prices in active markets for identical assets or liabilities;
- Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 Inputs for asset or liabilities that are not based on observable market data.

Cash and bank indebtedness are classified as Level 2.

Credit risk

Credit risk is the potential financial loss to the Company if a customer or joint venture partner is unable to meet its contractual obligations and arises principally from the Company's accounts receivable with respect to the sale of oil and natural gas. The Company's oil and natural gas is marketed on behalf of the Company by GRL under standard industry terms. In order to mitigate credit risk, GRL markets its oil and natural gas to various established credit worthy purchasers.

At September 30, 2011 accounts receivable were \$3.3 million of which: \$0.5 million relates to accrued revenue for the month of September; \$2.7 million is receivable from joint venture partners and the remaining balance is made up of various smaller account balances. The amounts outstanding were settled by November.

Interest rate risk

The Company's operating facility bears interest at the lender's prime rate plus 2.25% and the bulge loan facility bears interest at the Lender's prime rate plus 4.25%. Fluctuations in the prime rate will result in changes to the monthly interest expense. Assuming an average loan balance drawn on the credit facility of \$6 million, a change in the interest rate of 0.50% will result in a \$30,000 change in the annual interest expense.

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Foreign exchange rate risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on sales of commodities that are denominated in U.S. dollars or directly influenced by U.S. dollar benchmark prices. As of September 30, 2011 Ironhorse had no accounts receivable or accounts payable denominated in foreign currencies.

Liquidity risk

Liquidity risk is the potential for the Company to have difficulty in meeting its obligations associated with financial liabilities as they become due. Ironhorse financial liabilities consist of accounts payable, financial instruments, and bank debt. All of the Company's financial liabilities have contractual maturities of less than one year and accounts payable are processed within normal payment terms.

Ironhorse prepares an annual budget which is monitored and updated throughout the year. Occasionally the Company enters into fixed price contracts with respect the sale of a portion of its production to protect its cash flow from commodity price declines.

The Company's approach to managing liquidity risk is to meet its obligations when due through a mix of available cash and credit facilities. Budgets and forecasts are prepared based on reasonable assumptions about production, pricing, royalty structure and estimated future capital expenditures. These assumptions are updated on a regular basis. The budgets and forecasts are reviewed on an ongoing basis in order to identify future cash and financing requirements.

In order to finance its 2011 drilling program and to satisfy conditions associated with its current credit facility Ironhorse is selling its Shackleton gas property and marketing other oil and gas properties. Net proceeds from the sale of the properties will be used to pay down the Company's bank debt.

Commodity price risk

The Company produces oil and natural gas which have historically been subject to fluctuations in price. Subsequent to the sale of the Shackleton gas property, the Company's production will be 100 percent oil weighted averaging an estimated 75 barrels of oil per day, an increase of CDN \$5.00 per barrel in the price of oil would increase quarterly cash flows available to the Company by approximately \$25,000 for the three months ended September 30, 2011. A similar decrease in commodity prices would have the opposite impact.

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19. Supplemental Cash Flow Information

	Nine months ended September 30	
	2011	2010
Source/(use) of cash		
Accounts receivable	(1,064)	(716)
Accounts payable and accrued liabilities	1,351	(1,282)
	<u>287</u>	<u>(1,998)</u>
Relating to:		
Operating activities	19	(525)
Investing activities	268	(1,473)
	<u>287</u>	<u>(1,998)</u>

20. First-time Adoption of IFRS

These are the Company's first Financial Statements for the period covered by the first annual financial statements to be prepared in accordance with IFRS.

The accounting policies in Note 3 have been applied in preparing these Financial Statements for the period ended September 30, 2011 and the comparative information for the three and nine months ended September 30, 2010 and for the year ended December 31, 2010.

IFRS employs a conceptual framework which is similar to Canadian GAAP; however, significant differences exist in certain areas of recognition, measurement and disclosure. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and results from operations is set out in the following tables. The transition from Canadian GAAP to IFRS has not affected the Company's cash flows.

Key first-time adoption exemptions applied

IFRS 1 First-time Adoption of IFRS allows first-time adopters certain exemptions from retrospective restatement of certain IFRS.

The Company has applied the following exemptions:

- Petroleum and natural gas properties on the balance sheet were recorded and measured on a full cost basis in accordance with Canadian GAAP. The Company has elected to measure its properties at the amount determined under Canadian GAAP as at January 1, 2010. Costs included in the full cost pool were allocated on a pro-rata basis to the underlying areas on the basis of total proved plus probable reserve values before tax discounted at 10% as at January 1, 2010. ARO liabilities were measured using the risk free rate with a corresponding entry to the opening deficit.
- IFRS 2 Share-based payments was not applied to stock options granted after November 2002 that vested before January 2010.

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Balance sheet reconciliation from Canadian GAAP to IFRS at date of transition - January 1, 2010

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		\$ 345	\$ -	\$ 345
Accounts receivable		1,009	-	1,009
		1,354	-	1,354
Exploration and evaluation assets	1	-	3,327	3,327
Property and equipment	2	35,137	(3,327)	31,810
		\$ 36,491	\$ -	\$ 36,491
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,513	\$ -	\$ 2,513
Flow-through obligation	4	-	503	503
Credit facility		8,750	-	8,750
		11,263	503	11,766
Decommissioning liabilities	3	1,343	877	2,220
Deferred income taxes	4,5	2,258	(246)	2,012
		14,864	1,134	15,998
Shareholders' equity				
Common shares	4	24,919	849	25,768
Contributed surplus		1,423	-	1,423
Deficit	4,5,8	(4,715)	(1,983)	(6,698)
		21,627	(1,134)	20,493
		\$ 36,491	\$ -	\$ 36,491

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Balance sheet reconciliation from Canadian GAAP to IFRS under Canadian GAAP – September 30, 2010

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		\$ 23	\$ -	\$ 23
Accounts receivable		1,725	-	1,725
		1,748	-	1,748
Exploration and evaluation assets	1	-	5,669	5,669
Property and equipment	1,2,8	44,262	(7,600)	36,662
		\$ 46,010	\$ (1,931)	\$ 44,079
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 1,231	\$ -	\$ 1,231
Flow-through obligation	4	-	572	572
Credit facility		15,750	-	15,750
		16,981	572	17,553
Decommissioning liabilities	3	1,424	1,011	2,435
Deferred income taxes	4,5	2,698	(478)	2,220
		\$ 21,103	\$ 1,105	\$ 22,208
Shareholders' equity				
Common shares	4	28,869	1,045	29,914
Contributed surplus		1,628	119	1,747
Deficit	4,5,8	(5,590)	(4,200)	(9,790)
		24,907	(3,036)	21,871
		\$ 46,010	\$ (1,931)	\$ 44,079

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Balance sheet reconciliation from Canadian GAAP to IFRS at the end of the last reporting year under Canadian GAAP - December 31, 2010

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Cash		\$ 23	\$ -	\$ 23
Accounts receivable		2,259	-	2,259
		2,282	-	2,282
Exploration and evaluation assets	1	-	5,041	5,041
Property and equipment	1,2,8	43,501	(6,533)	36,968
		\$ 45,783	\$ (1,492)	\$ 44,291
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		\$ 867	\$ -	\$ 867
Flow-through obligation	4	-	528	528
Credit facility		16,264	-	16,264
		17,131	528	17,659
Decommissioning liabilities	3	1,510	1,005	2,515
Deferred income taxes	4,5	2,574	(275)	2,299
		\$ 21,215	\$ 1,258	\$ 22,473
Shareholders' equity				
Common shares	4	28,848	1,036	29,884
Contributed surplus		1,676	121	1,797
Deficit	4,5,8	(5,956)	(3,907)	(9,863)
		24,568	(2,750)	21,818
		\$ 45,783	\$ (1,492)	\$ 44,291

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Reconciliation of total comprehensive loss for the three months ended September 30, 2010

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas revenues		\$ 2,628	\$ -	\$ 2,628
Royalties		(474)	-	(474)
		2,154	-	2,154
Expenses				
Operating and transportation		592	-	592
Exploration and evaluation	7	-	11	11
Depletion and depreciation	8	1,303	(540)	763
Impairment of property and equipment	2	-	-	-
General and administrative		532	-	532
Finance	3	188	24	212
Stock-based compensation	6	75	1	76
		2,690	(504)	2,186
Loss before taxes		(536)	504	(32)
Taxes				
Capital		2	-	2
Deferred income tax reduction	9	(122)	222	100
Loss and comprehensive loss for the period		\$ (416)	\$ 282	\$ (134)

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Reconciliation of total comprehensive loss for the nine months ended September 30, 2010

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas revenues		\$ 8,148	\$ -	\$ 8,148
Royalties		(1,619)	-	(1,619)
		6,529	-	6,529
Expenses				
Operating and transportation		1,231	-	1,231
Exploration and evaluation	7	-	12	12
Depletion and depreciation	8	4,377	(2,318)	2,059
Impairment of property and equipment	2	-	4,300	4,300
General and administrative		1,449	-	1,449
Finance	3	509	71	580
Stock-based compensation	6	222	119	341
		7,788	2,184	9,972
Loss before taxes		(1,259)	(2,184)	(3,443)
Taxes				
Capital		2	-	2
Deferred income tax reduction	9	(386)	33	(353)
Loss and comprehensive loss for the period		\$ (875)	\$ (2,217)	\$ (3,092)

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Reconciliation of total comprehensive loss for the year ended December 31, 2010

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Petroleum and natural gas revenues		\$ 10,936	\$ -	\$ 10,936
Royalties		(2,303)	-	(2,303)
		8,633	-	8,633
Expenses				
Operating and transportation		1,910	-	1,910
Exploration and evaluation	7	-	12	12
Depletion and depreciation	8	5,255	(2,405)	2,850
Impairment of property and equipment	2	-	4,300	4,300
Gain on sale of property and equipment	10	-	(273)	(273)
General and administrative		2,105	-	2,105
Interest		725	-	725
Accretion	3	109	(14)	95
Stock-based compensation	6	270	121	391
		10,374	1,741	12,115
Loss before taxes		(1,741)	(1,741)	(3,482)
Taxes				
Capital		1	-	1
Deferred income tax reduction	9	(501)	183	(318)
Loss and comprehensive loss for the period		\$ (1,241)	\$ (1,924)	\$ (3,165)

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Notes to reconciliations

1. Exploration and evaluation assets (“E&E”)

Under IFRS, E&E costs are shown as a separate class of assets.

At January 1, 2010, \$3.3 million of undeveloped land and unproven properties were reclassified from property and equipment to E&E. (\$5.7 million at September 30, 2010 and \$5.0 million at December 31, 2010).

2. Property and equipment (“P&E”)

At January 1, 2010, undeveloped land was reclassified from P&E to E&E.

At September 30, 2010 and December 31, 2010 the carrying value of P&E was reduced due to a reclassification of undeveloped land to E&E, an impairment charge at Jedney and increased due to a reduction in depletion and depreciation expense as the Company use proven plus probable reserves under IFRS.

3. Decommissioning liabilities

Under Canadian GAAP, provisions to abandon and reclaim assets were discounted using a credit-adjusted risk-free rate. The Company’s policy under IFRS is to discount its decommissioning liabilities under IFRS using a current risk-free rate, which is lower than the previous discount rate, resulting in an increase in the carrying amount of the decommissioning liabilities of \$0.9 million at January 1, 2010 and \$1.0 million at September 30, 2010 and December 31, 2010. The change in methodology resulted in a corresponding charge to retained earnings.

4. Flow-through shares

The Company has financed a portion of its exploration and development activities through the issuance of flow-through shares. Pursuant to the terms of the flow-through subscription agreements, the tax attributes of the related expenditures are renounced to the subscribers. Under Canadian GAAP, the value of the foregone tax benefits to the Company is recognized by reducing the carrying value of the shares issued by the amount equal to the tax effect on the expenditures renounced to the subscribers.

Under IFRS, common shares issued on a flow-through basis are recorded at the fair value, excluding any premium to the current market price, the premium is recorded as a current liability and the tax benefits renounced to the subscribers are recorded as tax expense when the expenditures are incurred and renounced.

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As a result of the differences in accounting for flow-through shares:

- At January 1, 2010, the Company reduced its deficit and increased its share capital by \$1.4 million; the Company also reduced its share capital and increased its current liabilities by \$0.5 million; and
- At September 30, 2010, the Company had a current liability of \$0.6 million with respect to its 2010 flow-through financing.
- At December 31, 2010, the Company had a current liability of \$0.5 million with respect to its 2010 flow-through financing.

5. Deferred income taxes

At January 1, 2010, the Company decreased its deferred taxes and deficit by \$0.3 million primarily due to adjustments in the carrying value of its decommissioning liabilities.

At September 30, 2010, the Company decreased its deferred taxes and deficit by \$0.5 million primarily due to adjustments in the carrying values of its property and equipment and decommissioning liabilities.

As at December 31, 2010, the Company decreased its deferred taxes and deficit by \$0.3 million primarily due to adjustments in the carrying values of its property and equipment and decommissioning liabilities.

6. Stock-based compensation

As at September 30, 2010, contributed surplus increased by \$0.1 million (December 31, 2010 \$0.1 million) as a result of differences in accounting for stock options due to the requirement to fair value each tranche of the stock options separately. The offset was recorded through the profit and loss as an increase in stock-based compensation.

7. Exploration and evaluation expense

For the nine months ended September 30, 2010, the Company expensed \$11 thousand (December 31, 2010 \$12 thousand) in pre-license costs, these costs were capitalized under Canadian GAAP.

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8. Depletion and depreciation

Under Canadian GAAP, oil and natural gas properties were depleted and depreciated on a unit-of-production basis utilizing proven reserves. The Company's policy under IFRS is to deplete and depreciate its property and equipment costs for each CGU on a unit-of-production basis utilizing proven plus probable reserves. As a result the depletion and depreciation expense was \$0.5 and \$2.3 million lower for the three and nine months ended September 30, 2010 respectively and \$2.4 million lower for the year ended December 31, 2010, resulting in a corresponding increase in the carrying value of property and equipment.

9. Deferred income tax reduction

For the nine months ended September 30, 2010, the Company increased its deferred tax reduction by \$33 thousand primarily as a result of adjustments to depletion and depreciation and impairment charges which were offset by increase in tax expense associated with the flow-through shares.

For the year ended December 31, 2010, the Company decreased its deferred tax reduction by \$0.2 million primarily as a result of adjustments to depletion and depreciation and impairment charges which were offset by increase in tax expense associated with the flow-through shares and the gain on the sale of a property.

10. Gain on sale of property

Under IFRS the Company recorded a gain of \$0.3 million on the sale of its Boundary Lake property as the proceeds of \$0.6 million exceeded the property's carrying value.

11. Cash flow statement

The transition to IFRS from Canadian GAAP has had no effect on the reported cash flows generated by the Company.