

MANAGEMENT'S DISCUSSION and ANALYSIS

ADVISORIES

This Management's discussion and analysis ("MD&A"), prepared effective April 13, 2011 should be read in conjunction with the Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") audited financial statements for the years ended December 31, 2010 and December 31, 2009.

Basis of Presentation - The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and measurement currency in the financial statements and in this discussion and analysis is the Canadian dollar, unless otherwise stated.

Non-GAAP 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 GAAP, but are financial terms commonly used in the oil and gas industry.

Funds from Operations are labelled on the Statement of Cash Flows 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 per share amounts are determined using the same methodology and 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 Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Field netback is determined by deducting royalties and operating 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 less current assets.

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 GAAP.

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 expectation that the two (0.4 net) Pembina oil wells will be placed on production in 2012. These wells are expected to increase Ironhorse's net production by 600 - 800 boe per day. Regulatory approvals and/or operational delays could negatively impact the timing and production increases from this project.

- The expectation that the Company will undertake a \$10 million CAPEX program in 2011.
- The expectation that the Company will sell sufficient assets in order to improve the Company's financial position and finance its 2011 CAPEX program.

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. Many 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 expected 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 funds from operations, sale of existing assets, issuance of debt and/or equity financing. 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 1,472 (736 net) boe per day in 2010 (2009 – 2,120 (1,060 net)) and are currently producing 1,200 (600 net) boe per day. The Company does not plan to undertake any further development activities on this property in 2011. Funds from this property are financing exploration and development activities on other properties.

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 oil wells are expected to increase Ironhorse's net production by 600 - 800 boe per day in 2012. In order to place the wells on production processing and transportation infrastructure to handle the associated sour gas that will be produced with the oil must be approved and constructed by the Company and its partners. The Company is waiting on regulatory approval prior to commencing construction of the required infrastructure. In addition, to produce the wells to their full capabilities a pressure maintenance scheme will need to be implemented with the drilling of two water injector wells and a water source well.

Dawson, Alberta

In 2010, the Company placed two (1.1 net) Slave Point oil wells on production in the Dawson area. The oil wells produced an average of 290 (145 net) bbls of oil per day in 2010 and are currently producing 400 (220 net) bbls of oil per day. Funds generated by the property are financing exploration and development activities in other areas.

Leon Lake, Saskatchewan

In 2010, the Company placed two (1.8 net) Upper Shaunavon oil wells on production. The oil wells produced an average of 35 (25 net) bbl of oil per day in 2010 and are currently producing 30 (25 net) bbl of oil per day. One (0.8 net) producing oil well was drilled horizontally, the other well (1.0 net) was drilled vertically. Plans for 2011 include drilling additional vertical wells targeting the Upper Shaunavon, drilling one horizontal well targeting the Lower Shaunavon and shooting a three dimensional seismic program.

Hamilton Lake, Alberta

In the first quarter of 2011, the Company acquired a 100% working interest in 4.25 sections of land which are prospective for Viking oil. Ironhorse has the option, until July 9th 2011, to acquire a 50% working interest in an additional 19.75 sections of land adjacent to its existing lands. The cost to exercise the option is approximately \$1.7 million. Plans for 2011 are to exercise the option to purchase the land purchase, pool all lands in the area and drill up to three (1.5 net) horizontal oil wells.

Jedney, British Columbia

Ironhorse has one (0.8 net) suspended gas well which is capable of producing from three gas zones. The Company plans to place the well on production when gas prices are higher.

Fourth quarter 2010 overview

In October 2010 Ironhorse completed and placed on production its vertical Upper Shaunavon oil well at Leon Lake, Saskatchewan. The well is currently producing seven bbls per day net to the Company.

For the three months ended December 31, 2010, production averaged 881 boe per day, a 6% decrease from the 937 boe per day average in the corresponding period of 2009. The decrease in production was due to natural declines in gas production at Shackleton. The oil weighting of the Company's production profile was 25% in the fourth quarter of 2010 compared to 1% in the same period in 2009 as oil wells at Dawson, Ab and Leon Lake, Sk were placed on production in the first half of 2010.

Increases in oil production and the associated higher price per boe of oil verses gas offset the financial impact of declining gas production and lower gas prices. Higher general and administrative expenses during the quarter ended December 31, 2010 resulted in funds from operations of \$0.6 million versus \$0.7 million in fourth quarter of 2009.

Outlook

The Company is continuing to pursue oil prospects which have the potential of being low risk repeatable development projects. Ironhorse's activity in 2011 will be focused on the Upper and Lower Shaunavon at Leon Lake, Saskatchewan and the Viking trend at Hamilton Lake, Alberta. In order to execute on this strategy the Company plans to improve its financial position by selling some of its existing properties.

Years Ended December 31

SELECTED INFORMATION **2010** **2009** **2008**

Thousands except per share amounts

Financial

Revenue	10,936	9,392	17,965
Royalties	2,303	2,38	6,883
Funds from operations	3,892	3,874	8,001
Net income (loss)	(1,241)	(1,495)	1,586
Net income (loss) per share – basic and diluted	(0.05)	(0.06)	0.08
Total assets	45,783	36,491	32,199
Capital expenditures	13,561	10,004	10,556
Net debt	14,849	9,909	6,789

Weighted average shares outstanding			
- basic	26,839	22,042	20,225
- fully diluted	26,839	22,042	20,352

Operations

Daily production			
Gas – mcf per day	4,465	6,363	6,434
Light oil & ngls – bbl per day	177	11	7
Total – boe per day	922	1,071	1,079

Average sales price			
Gas - \$/mcf	3.77	3.94	7.52
Light oil & ngls - \$/bbl	73.99	60.04	67.00
Royalty - \$/boe	6.85	6.10	17.42
Operating expenses - \$/boe	5.68	3.27	2.29
Field Netback - \$/boe	19.98	14.65	25.74
General & administrative expenses - \$/boe	6.26	3.60	3.44

OPERATIONS

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

In 2010 our activity targeted increasing oil production with two (1.1 net) new oil wells at Dawson, Alberta and two (1.8 net) new oil wells at Leon Lake, Saskatchewan. The company also drilled one (0.8 net) suspended gas well at Jedney, British Columbia. In the Pembina, Alberta area the Company and its partners continued working through out 2010 on resolving infrastructure issues related to placing the Nisku oil on production. In order to produce the Pembina Nisku oil wells to their full capabilities, Ironhorse and its partners need to construct processing and transportation infrastructure to handle the associated sour gas and drill pressure maintenance service wells. The Company's net share of these capital expenditures is estimated at \$1.2 million and \$3.1 million in 2011 and 2012 respectively with production scheduled to commence during the fall of 2012.

Sales Volumes

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
Daily sales volumes							
Natural gas	<i>mcf</i>	3,947	5,560	(29)	4,465	6,363	(30)
Light oil & ngl's	<i>bbls</i>	223	10	2,128	177	11	1,512
Total	<i>boe</i>	881	937	(6)	922	1,071	(14)

Sales volumes for the year ended December 31, 2010 averaged 922 boe per day, a decrease of 14% from the 1,071 boe per day during the corresponding period in 2009. Declines in gas production at Shackleton were largely offset by increasing oil production at Dawson and Leon Lake.

Ironhorse expects production from its existing oil and gas wells will continue to decline annually at approximately 25% to 30% per year. Increases in production will occur when the Pembina oil wells and any new oil wells are placed on production.

Marketing and Revenue

Commodity pricing		Three months ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
Benchmark							
Alberta Spot – Natural gas	\$/mcf	3.65	4.59	(20)	4.01	4.00	-
West Texas Intermediate - Oil	US\$/bbl	84.92	76.04	12	79.40	61.60	29
Edmonton Par - Oil	\$/bbl	84.35	77.06	9	80.52	66.28	21
Company Prices							
Natural gas price	\$/mcf	3.37	4.15	(19)	3.77	3.94	(4)
Light oil and ngl's price	\$/bbl	76.24	66.91	14	73.99	60.04	23
Boe	\$/boe	34.41	25.35	36	32.51	24.02	35
Revenue							
Natural gas	\$m	1,225	2,120	(42)	6,147	9,146	(33)
Light oil & ngl's	\$m	1,563	61	2,462	4,789	238	1,912
Other	\$m	0	2	(100)	0	8	(100)
Total	\$m	2,788	2,183	28	10,936	9,392	16

The Company's Shackleton gas production is marketed by Grizzly Resources Ltd. (see "related party" section of MD&A) through the marketing arm of a large international oil and gas company. In 2010 Ironhorse's gas received the Alberta gas spot price plus \$0.08 per gigajoule ("GJ") less a transportation charge of approximately \$0.16 per GJ. Alberta spot gas prices are based on Natural Gas Exchange prices at the AECO Hub. 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. Gas prices drifted down throughout 2009 and remain at depressed levels during 2010. In 2009 approximately 75% of Ironhorse's natural gas production was sold on the spot market and 25% was sold at contracted prices. As a result of the contracted pricing agreements Ironhorse's realized gas price was slightly higher than it would have been if all the gas had been sold at spot prices. In 2010 the Company sold all of its gas at spot prices. The Company's natural gas receives a price which is lower than the average benchmark price due to the lower heat content per mcf for Shackleton natural gas.

Sales revenues for the year ended December 31, 2010 were 16% higher than the prior year, as increases in oil production more than offset decreases associated with lower gas production and declines in the price of gas.

Sales revenues for the quarter ended December 31, 2010 were \$2.8 million, an increase of 28% from the \$2.2 million in the corresponding period in 2009 due to higher oil production.

Sales revenues in 2011 are expected to be lower as a result of declining oil and gas production.

Royalties

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
Royalties	\$m	684	567	21	2,303	2,387	(4)
Royalties per boe	\$	8.44	6.58	28	6.85	6.10	12
Royalty rate	%	25	26	(6)	21	25	(17)

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 the Company's Shackleton property are owned by the Carry the Kettle First Nation and are subject to a lessor royalty and a gross overriding royalty. The lessor royalty is equivalent to Saskatchewan crown royalty and the gross overriding royalty is 15%. Royalty rates vary based on a number of factors including commodity prices and production rates. Royalties are calculated on sales revenues based on daily spot prices without reference to fixed price contract adjustments.

Wells drilled in Alberta, between April 1, 2009 and March 31, 2010 earn a drilling credit of \$200 per meter drilled. Ironhorse has included drilling credits of \$0.5 million as a reduction of capital expenditures at December 31, 2010. The drilling credits are recovered as crown royalties are paid. For every two dollars of crown royalties paid during the period of April 1, 2009 to March 31, 2011 the Company can collect one dollar of drilling credits.

For the year ended December 31, 2010 royalties decreased 4% to \$2.3 million (\$6.85 per boe) compared to \$2.4 million (\$6.10 per boe) in 2009. The decrease in royalties as a percentage of revenue for the period is attributable to the royalty holidays for new oil wells drilled and placed on production during the year.

Royalties for the fourth quarter of 2010 increased 21% to \$0.7 million (\$8.44 per boe) compared to \$0.6 million (\$6.58 per boe) for 2009. The royalty rate during the fourth quarter was 25% of sales compared to 26% in the same period of 2009. The royalty rate for the fourth quarter moved higher as one of the new oil wells produced the maximum amount under the royalty holiday.

The royalty rate for 2011 is expected to be 25% to 30% of revenue.

Operating and Transportation Expenses ("O&T")

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
O&T	\$m	679	397	71	1,910	1,277	50
Per boe	\$	8.38	4.61	82	5.68	3.27	74

O&T expenses for the year ended December 31, 2010 increased 50% to \$1.9 million (\$5.68 per boe) from \$1.3 million (\$3.27 per boe) during the corresponding period in 2009. Increases in O&T expenses are attributable to the two (1.1 net) new oil wells at Dawson and the two (1.8 net) new oil wells at Leon Lake including transportation charges associated with trucking the oil. On a boe basis O&T expenses increased 74% from \$3.27 in 2009 to \$5.68 in 2010 as the new oil wells have higher boe operating costs largely due to transportation charges and also due to the fixed portion of the operating expenses associated with the gas wells being allocated to a lower production volume.

O&T expenses were \$0.7 million, or \$8.38 per boe, for the quarter ended December 31, 2010, 71% higher than the same period last year. The increase in O&T expenses in the fourth quarter of 2010 was due to annual expenses associated with the new oil wells placed on production in 2010.

O&T expenses in 2011 are expected to trend higher averaging between \$8 and \$10 per barrel as oil, which has higher per unit O&T costs, will account for a greater percentage of total production and the fixed costs associated with the gas production will be allocated over a declining production base.

General and Administrative Expense (“G&A”) and Stock Based Compensation (“SBC”)

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
G&A	\$m	656	340	93	2,105	1,407	50
SBC	\$m	48	56	(14)	270	316	(15)
Per boe:							
G&A	\$	8.10	3.95	105	6.26	3.60	74
SBC	\$	0.59	0.65	(9)	0.80	0.81	(1)

The increase in G&A and G&A per boe for the three months ended and year ended December 31, 2010 is due to higher management fees charged by Grizzly Resources Inc. (“Grizzly”). For additional information on management fees refer to the “Related Party” section of this MD&A.

G&A is expected to be lower in 2011 as the Company is negotiating a reduction in the management fees payable to Grizzly.

SBC decreased slightly from the prior year as a significant number of options were forfeited or expired during the year.

Interest Expense

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
Interest expense	\$m	216	227	(5)	725	440	65
Per boe	\$	2.67	2.63	1	2.16	1.13	91

Interest expense for the year ended December 31, 2010 increased 65% from \$0.4 million in 2009 to \$0.7 million. The increase in interest expense is due to higher debt levels, interest rates and standby fees.

Interest expense for the three months ended December 31, 2010 was \$0.2 million compared to \$0.2 million for 2009. Interest expense for the fourth quarter of 2009 included costs associated with switching from one financial institution to another and recording the Part 12.6 tax associated with using the “look back rules” to incur eligible flow through expenditures associated with the 2008 flow through share offering. Interest expense associated with debt services charges was approximately \$0.1 million in the fourth quarter of 2009.

The Company plans on significantly reducing its debt levels in 2011 by selling one or more of its properties and expects interest expense to decrease accordingly.

Depletion, Depreciation and Accretion (“DD&A”)

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
DD&A	\$m	987	1,051	(6)	5,364	5,547	(3)
Per boe	\$	12.18	12.20	-	15.95	14.19	12

The DD&A provision for the year decreased 3% as a decrease in production was offset by a slightly higher depletion rate per boe. The increase in the DD&A rate per boe reflects net lower prorata reserves additions in relation to capital expenditures incurred during the year versus last year. The DD&A rate per boe for 2011 will vary with drilling results and capital expenditures.

Income Taxes

Future income taxes for the year ended December 31, 2010 were a recovery of \$0.5 million compared to a recovery of \$0.5 million for 2009.

At December 31, 2010, the Company had estimated resource tax pools and tax losses of approximately \$32 million. Ironhorse does not expect to be taxable in the next two years, given the forecasted level of production, current commodity prices and capital expenditures.

As at December 31, 2010 Ironhorse had \$3.7 million of Canadian exploration expenditures to be incurred prior to December 31, 2011, pursuant to a 2010 flow through share offering.

Field Netback

\$ Per boe	Three Months Ended December 31			Year Ended December 31		
	2010	2009	% Change	2010	2009	% Change
Revenue	34.41	25.34	36	32.51	24.02	35
Less: Royalties	8.44	6.58	28	6.85	6.10	12
Operating expenses	8.38	4.61	82	5.68	3.27	74
Field netback	17.59	14.15	24	19.98	14.65	36

Ironhorse's field netback per boe for the three months and year ended December 31, 2010 increased 24% and 36% respectively as the Company increased the oil weighting of its production and oil receives a higher price per boe than gas.

Field netbacks per boe in 2011 are expected to remain at current levels until such time as gas prices increase or the oil weighting of the Company's production moves higher.

Funds from Operations and Loss

		Three Months Ended December 31			Year Ended December 31		
		2010	2009	% Change	2010	2009	% Change
Funds from operations	\$m	554	653	(15)	3,892	3,874	-
Basic and diluted per share	\$	0.02	0.03	(34)	0.15	0.18	(17)
Loss	\$m	366	313	17	1,24	1,495	4
Basic and diluted per share	\$	0.01	0.01	-	0.05	0.06	(17)
Weighted average shares							
Basic and diluted	m	27,876	22,858	22	26,839	22,042	22

Funds from operations for the year ended December 31, 2010 was unchanged at \$3.9 million.

Funds from operations for the three months ended December 31, 2010 decreased 15% to \$0.6 million from \$0.7 million in 2009.

Funds from operations remained largely the same as the prior year as increases associated with oil production were offset by higher G&A and interest expense.

Funds from operations in 2011 are expected to remain at levels consistent with the fourth quarter until such time as revenues increase or expenses decrease.

Capital Expenditures

Expenditure category \$m	Three Months Ended December 31			Year Ended December 31		
	2010	2009	% Change	2010	2009	% Change
Land	(598)	200	(399)	2,527	720	251
Seismic	(8)	81	(110)	409	252	62
Drilling and completions	641	2,219	(71)	9,894	8,674	14
G&A	105	109	(3)	731	358	104
	140	2,609	(95)	13,561	10,004	36

Area \$m	Three Months Ended December 31			Year Ended December 31		
	2010	2009	% Change	2010	2009	% Change
Saskatchewan	590	485	22	6,057	5,076	19
NE British Columbia	14	1,244	(99)	5,073	1,294	292
Alberta	(569)	771	(174)	1,700	3,276	(48)
G&A	105	109	(4)	731	358	104
	140	2,609	(95)	13,561	10,004	36

Capital expenditures increased 36% from \$10.0 million in 2009 to \$13.6 million in 2010. Highlights of the Company's capital expenditures by focus area include: \$5.1 million at Leon Lake; \$5.1 at Jedney; \$2.2 million at Dawson, net of \$0.5 million in drilling credits; \$0.2 million at Pembina; sale proceeds of \$0.6 million at Boundary Lake and \$0.7 million of capitalized G&A.

At Leon Lake, Saskatchewan the Company's activities included drilling, completing and placing on production two (1.8 net) Upper Shaunavon oil wells; shooting a three dimensional seismic program and acquiring new lands.

In NE, British Columbia at Jedney the Company's activities included drilling and completing one (0.8 net) gas well which will be placed on production when gas prices move higher; acquiring additional land.

In Alberta at Dawson the Company's activities included drilling, completing and placing on production two (1.2 net) oil wells.

Ironhorse plans to undertake up to a \$10 million capital spending program in 2011 which will be financed through a combination of funds from operations and proceeds from the sale of assets.

Related Party Transactions – Management Fees

Ironhorse is party to a management services agreement with 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. In 2009, the management contract charged Ironhorse a fee based on units of production and a percentage of capital expenditures. The fee per boe was \$2.43 and the fee on capital expenditures was 4.13 percent. On April 1, 2010, the fee was changed to a fixed amount of \$241,000 per month. A portion of the monthly fee is capitalized to PP&E and the balance of the fee is charged to G&A. The Company and Grizzly are negotiating a reduction in the management fee for 2011.

Management Fees		Year Ended December 31	
		2010	2009
Production fees - G&A	\$m	1,689	762
Capital fees – PP&E	\$m	731	358
Total Management fees	\$m	2,420	1,120

Normal Course Issuer Bid

Pursuant to the terms of the current normal course issuer bid, Ironhorse may purchase common shares for cancellation, as Ironhorse considers advisable. 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 recent 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 year ended December 31, 2010, the Company acquired 51,400 common shares at an average cost of \$1.00 per share. To date in 2011, the Company has not acquired any common shares for cancellation.

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 and issuing additional share equity.

The Company had net debt of \$14.9 million and had drawn \$16.3 million of its \$17.0 million credit facility at December 31, 2010. The Company's credit facility, reviewable annually, is with a Canadian financial institution. Advances bear interest at the institution's prime lending rate plus 2.25%. The loan is secured by all of the Company's assets. Principal repayments are required only if the borrowing base is exceeded. Ironhorse plans to significantly reduce its bank debt in 2011 by selling assets.

The Company plans to finance its planned 2011 capital expenditures from funds from operations, existing credit facilities, issuing common shares from treasury and selling assets. The priorities for the 2011 include:

- Drilling two oil wells at Leon Lake including one vertical well and one horizontal well;
- Shooting three dimensional seismic over the balance of the lands at Leon Lake;
- Acquiring lands in Central, Alberta on the Viking oil trend;
- Drilling three horizontal oil wells in Central, Alberta targeting the Viking formation; and
- Constructing the infrastructure necessary for placing the two Nisku oil wells at Pembina, Alberta on production.

Ironhorse believes it can finance these activities with funds from operations and the proceeds from the sale of one or more of its minor and major properties. However if the Company is unable to sell assets in a timely fashion this may impact the timing of the above activities.

Ironhorse has 27,875,824 common shares and 2,370,817 stock options with a weighted average exercise price of \$1.04 per share outstanding as at April 13, 2011.

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 issued flow-through common shares in 2009 and 2010. Pursuant to the terms of the financings, the Company is obligated to spend the gross proceeds on qualifying Canadian exploration and development expenditures. As of today's date we estimate that Ironhorse had obligations to incur \$3.7 million of Canadian exploration expenditures in 2011 to fulfill all of its flow-through financing obligations.

Critical Accounting Estimates

The preparation of the Company's financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported financial results of the Company. On an on-going basis, management reviews its estimates in light of currently available information. Changes in facts and circumstances may require revisions to estimates causing changes to reported results. Ironhorse's critical accounting estimates are discussed below.

Oil and Gas Accounting

Ironhorse follows the full-cost accounting guideline to account for its petroleum and natural gas operations. Under this method, all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized in one Canadian cost centre. These capitalized costs, along with estimated future development costs, are depleted and depreciated on a unit-of-production basis using estimated proved petroleum and natural gas reserves. By their inclusion in the unit-of-production calculation, reserve estimates are a significant component of the calculation of depletion and depreciation expense.

Independent engineers engaged by the Company use all available geological, reservoir, and production performance data to prepare the reserve estimates. These estimates are reviewed and revised, either upward or downward, as new information becomes available. Revisions are necessary due to changes in assumptions based on reservoir performance, commodity prices, economic conditions, government regulations and other relevant factors. If reserve estimates are revised downward, net income could be affected by increased depletion and depreciation.

Impairment of Petroleum and Natural Gas Assets

Companies that use the full-cost method of accounting for oil and natural gas operations are required to perform an impairment test (the "ceiling test") that calculates a limit for the net carrying cost of petroleum and natural gas assets. The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test. The ceiling test is a two-stage process.

The first stage of the test is a recovery test which compares the undiscounted future cash flows from proved reserves at forecast prices plus the cost, less impairment, of unproved properties to the net book value of the petroleum and natural gas assets to determine if the assets are impaired. An impairment loss exists when the net book value of the petroleum and natural gas assets exceeds such undiscounted cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured as the amount by which the net book value of the petroleum and natural gas assets exceeds the future discounted cash flows from proved plus probable reserves at the forecast prices. If reserve estimates are revised downward, net income could be affected by any additional depletion and depreciation recorded under the ceiling test calculation and could result in a significant accounting expense for a particular period. Ironhorse had approximately a \$14.7 million cushion pursuant to the first test at December 31, 2010.

Asset Retirement Obligations

The amounts recorded for asset retirement obligations are estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and the facilities and the estimated time period during which these costs will be incurred in the future. Any changes to these estimates could change the amount recorded for asset retirement obligations and may materially impact the financial statements of future periods.

Recent Accounting Pronouncements

There have been no Canadian accounting pronouncements issued for the 2010 fiscal year which may have a material impact on the Company's financial statements.

IFRS Changeover Plan

On January 1, 2011 International Financial Reporting Standards (“IFRS”) will replace existing Canadian GAAP for all publicly accountable enterprises in Canada. The Company will begin reporting under IFRS in the first quarter of 2011, with restatement, for comparative purposes, of amounts reported on the Company’s opening IFRS balance sheet as at January 1, 2010 and of quarterly amounts reported by the Company during 2010.

The Company has developed a changeover plan that addresses accounting policy changes, financial reporting requirements to information technology and systems impacts, business process changes, and education and training requirements. Staff participate in on-going meetings with peers in the industry and accounting and information system service providers to identify the practices that will be used to obtain the most relevant and comparable financial information upon conversion to IFRS. The Company has also documented its accounting policy choices and the effects of those choices on the organization. The Company’s auditors have been and will continue to be involved throughout the process to ensure that the Companies policies are in accordance with IFRS.

The Company has completed its assessment of the effects of adopting IFRS and identified the following as having the greatest change to the Company’s accounting policies and procedures, financial reporting and information systems upon conversion to IFRS.

Property, Plant and Equipment (“PP&E”)

IFRS 1, *First-time Adoption of International Financial Reporting Standards* in the oil and gas industry, provides entities the option to elect to value their oil and gas PP&E assets at the date of transition to IFRS at its deemed cost, defined as the carrying value assigned to these assets under Canadian GAAP at the date of transition, January 1, 2010 or retrospective restatements of the PP&E accounts. Ironhorse has elected to utilize the first time adoption exemption. Under IFRS, Ironhorse’s deemed PP&E costs are allocated to multiple cash generating units (“CGU”) either by reserve dollar values or reserve equivalency units. Ironhorse has elected to allocate the deemed PP&E costs based on reserve values as the Company believes this is a better indicator of property values given the current disparity between oil and natural gas prices on an energy equivalence basis. Ironhorse’s opening PP&E has been allocated to three CGUs Shackleton, Pembina and Boundary/Lochend. The result of using reserve values is that approximately \$5.2 million of incremental PP&E value is allocated from Shackleton to Pembina.

IFRS 6, *Exploration for and Evaluation of Mineral Resources*, is the standard under which oil and gas exploration and evaluation costs are to be accounted for, and it requires entities to choose from among several different policies when accounting for exploration and evaluation costs. Ironhorse plans to capitalize its exploration and evaluation (“E&E”) costs until it has determined that the property contains reserves and is transferred to development and production assets, or that no future economic benefits exist and the costs are expensed and de-recognized. Costs incurred prior to obtaining the right to explore will be expensed. E&E costs will be reported as separate line item on the Company’s balance sheet and will be amortized on a 20% declining balance basis. Management has identified approximately \$3.3 million of PP&E that meets the criteria to be classified as E&E on the opening balance sheet prepared under IFRS as at January 1, 2010.

IFRS 16, *Property, Plant and Equipment*, requires the Company to identify the significant parts of its property, plant and equipment and to depreciate and deplete each part separately, in contrast to Canadian GAAP where full cost accounting permitted one such calculation for the full cost pool. In addition, IFRS requires the recognition of gains and losses on disposition of oil and gas properties. Under Canadian GAAP, proceeds of smaller dispositions were credited against the carrying amount of the full cost asset pool. The IFRS method of componentizing plant and equipment may result in an increase in the number of component parts, analogous to separate cost centers, and recorded and depreciated and, as a result, will affect the depletion and depreciation calculation.

IAS 36, *Impairment of Assets*, requires impairment testing to be performed at the CGU level as opposed to the full cost pool as permitted under full-cost accounting under Canadian GAAP. The concept of full-cost accounting under existing Canadian GAAP does not fit within the IFRS framework and, as such, Canadian companies engaged in oil and gas exploration and development must allocate the carrying amount of their oil and gas assets to CGUs at the date of transition to IFRS. A CGU is defined as the smallest identifiable asset or group of assets that generates largely independent cash flows. This change will result in impairment test calculations at the CGU level and could possibly result in more frequent write-downs of the carrying values of CGUs since the impairment tests are performed at a lower level than under Canadian GAAP. The Company does not anticipate recording any impairment charges on the opening balance sheet at the CGU level.

IAS 36 also uses a one-step approach for testing and measuring impairments, with asset carrying amounts being compared to the higher of value in use and fair value, less cost to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value, less cost to sell, may also be determined using discounted cash flows. The use of discounted cash flows under IFRS differs from Canadian GAAP where undiscounted cash flows are used to compare against the asset’s carrying amounts to determine if impairment exists. This may result in more frequent write-

downs, since asset carrying amounts that were previously supported under Canadian GAAP, based on, undiscounted cash flows, may not be supported on a discounted cash flow basis under IFRS. However, under IAS 36, previous impairment losses can be reversed where circumstances change, such that any remaining impairment is reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

Decommissioning Liabilities

In calculating asset retirement obligations, IFRS requires the use of the current market-based discount rate at each reporting date rather than the entity's credit-adjusted risk-free rate used under Canadian GAAP. The discount rate employed under IFRS is likely to be significantly lower than the credit-adjusted risk free rate used under Canadian GAAP, this change to a lower discount rate will increase the Company's asset retirement obligation liability at the date of conversion to IFRS and reduce the accretion charges in future years.

Future Income Taxes

The requirements under the IFRS for future income taxes are similar to that required under Canadian GAAP and should not have a significant effect on the Company's financial statements.

Information Systems

The adoption of the IFRS will affect information systems requirements. The Company is working with external suppliers on systems upgrades and changes to the chart of accounts, as well as cost centre hierarchies and related measurements to accommodate the new CGU definitions, and to month-end accounting processes to ensure an efficient conversion to IFRS.

Summary

The differences describe above are those existing based on Canadian GAAP and IFRS today and should not be regarded as complete, as the intention is to highlight those areas believed to be most significant. This analysis of possible changes is on-going and not all decisions have been made where choices of accounting policies are available. Further, the International Accounting Standards Board has significant on-going projects that could affect the Company's financial statements in future years.

An analysis of the effects of the adoption of IFRS on Ironhorse's financial statements is set out below. It should be recognized that this analysis is preliminary and not comprehensive and is likely to change as IFRS and industry and management's interpretation of IFRS evolves.

<i>Financial Statement Category</i>	<i>Change Under IFRS</i>	<i>Effect on Financial Statements of Ironhorse</i>
Property and Equipment	Existing full-cost pool to be divided into exploration and evaluation and development and producing segments. Testing for impairment upon restatement.	\$3.3 million of PP&E will be allocated to E&E, the remaining PP&E will be allocated to three CGUs based on reserve values.
Property and Equipment	Development and producing segments to be allocated into CGUs and depleted at a lower level.	Additional depletion calculations will be required at each reporting period.
Property and Equipment	Depletion can be calculated using proved plus probable reserves	Use of proved reserves in depletion calculation will have minimal impact on depletion expense.
Property and Equipment	Gains and losses on dispositions will be measured and recognized in the income statement. There is no de minimis rule as exists under current GAAP.	Gains and losses on property sales will be an income statement item.
Property and Equipment	Impairment test will be calculated at the CGU level plus changes to the impairment calculation methodology.	Impairment of CGUs from existing asset base may occur upon retrospective restatement.
Financial Instruments	Hedge accounting requirements have become significantly more stringent.	All future hedges will be marked to market and gains or losses will be included in the income statement.
Asset Retirement Obligation	A market-based discount rate will be used instead of using a credit-adjusted risk-free rate.	Increase ARO liability at conversion date; reduced accretion charges in future periods.
Borrowing Costs	Interest costs relating to the financing of assets with a long ready-for-use time frame to be capitalized.	Likely no effect on Ironhorse, based on existing assets.
Cash Flow Statement	To focus on cash measurements only, with no adjustment for working capital components.	More a presentation than a measurement issue. However, non-GAAP funds from operations will be harder to measure and may disappear from common usage.
Share-Based Payments	Stock options that vest in instalments should be valued separately.	No material effect likely.

Selected Quarterly Information

	Unit	2010				2009			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial									
Revenue	\$m	2,788	2,628	2,682	2838	2,183	1,858	2,299	3,053
Funds from operations	\$m	554	840	1,153	1,345	653	798	881	1,542
Per share									
Basic and diluted	\$	0.02	0.03	0.04	0.06	0.03	0.04	0.04	0.07
Loss	\$m	366	416	2	221	313	511	653	18
Loss per share									
Basic and diluted	\$	0.01	0.02	0.01	0.01	0.01	0.02	0.03	0.00
Capital expenditures	\$m	140	1,260	4,691	7,470	2,609	384	1,017	5,994
Net debt	\$m	14,849	15,233	14,799	16,041	9,909	11,142	11,505	11,319
Total assets	\$m	45,783	46,010	46,355	42,483	36,491	34,438	35,478	36,543
Operational									
Daily production									
Natural gas	mcf	3,947	4,298	4,633	5,044	5,560	6,252	7,153	6,498
Light oil & ngl's	bbls	223	203	179	105	10	8	19	7
Total sales	boe	881	919	951	946	937	1,051	1,211	1,089
Average price									
Natural gas	\$/mcf	3.37	3.31	3.61	4.64	4.15	3.15	3.37	5.16
Light oil & ngl's	\$/bbl	76.24	72.24	71.08	77.61	66.91	57.24	59.95	53.12
Boe	\$/boe	34.41	31.41	30.99	33.34	25.35	19.22	20.85	31.11
Field Netback	\$/boe	17.59	18.66	21.91	21.61	14.15	12.20	12.49	19.91
Weighted average shares									
Basic and diluted	m	27,876	27,885	27,331	24,214	22,859	21,663	21,751	21,779

The Company's operating results over the past eight quarters reflect the ongoing shift in focus as Ironhorse increases the oil weighting of its reserves and production. In 2009 and 2010, the Company participated in drilling new oil discoveries at Pembina, Dawson and Leon Lake. These discoveries have resulted in the Company's oil production now accounting for 25% of total production as compared to 1% previously. The oil weighting of the Company's production profile is expected to increase further with additional drilling and when the Pembina oil reserves are placed on production. Revenues, royalties, net income and funds from operations realized in a particular quarter vary directly with gas prices which continue to be at depressed levels.

Internal Controls over Financial Reporting

Securities legislation no longer require the CEO and CFO of TSX Venture Exchange listed companies such as Ironhorse to certify they have designed internal control over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Instead, an optional form of certification has been made available to TSX Venture Exchange listed companies and has been used by Ironhorse's certifying officers for the December 31, 2010 annual filings. The new certification reflects what the Company

considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officers' state:

- i) they have reviewed the annual MD&A and financial statements;
- ii) they have determined there is no untrue statement of a material fact, or any omission of material fact required to be stated which would make any statement not misleading in light of the circumstances under which it was made within the annual MD&A and financial statements;
- iii) that based upon their knowledge, the annual filings, together with the other financial information included in the annual filings, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of the date and for the periods presented in the filings.

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.