



Interim Report
First Quarter 2008

HIGHLIGHTS

Three Months Ended March 31,	2008	2007	% Change
Daily production:			
Natural Gas (thousand cubic feet)	6,034	2,493	142
Oil and NGLs (barrels)	7	5	40
Boe (barrels oil equivalent)	1,012	421	140
Financial:			
Petroleum and natural gas revenue (\$)	4,063,060	1,523,869	167
Cash flow from operations (\$)	1,730,527	572,410	202
Net income (loss) (\$)	312,019	(181,407)	272
Capital expenditures (\$)	5,941,728	9,957,108	(40)
Total assets (\$)	32,097,867	27,108,010	18
Working capital (deficiency) (\$)	(12,205,382)	(7,966,037)	53
Per diluted share amounts:			
Funds flow from operations (\$/share)	0.09	0.03	200
Net income (\$/share)	0.02	(0.01)	300
Number of shares outstanding:			
Basic weighted average	19,500,098	18,886,374	
Diluted weighted average	19,509,243	19,548,380	
End of Period	19,979,825	19,797,809	

Highlights:

- Production increased 140% to 1,012 boe per day due to the successful drilling and tie-in of 31 natural gas wells at Shackleton
- Cash flow from operations increased 202% to \$1.7 million from \$0.6 million for the same period last year due to higher gas prices and increased production
- Cash flow per share increased 200% to \$0.09 per fully diluted share
- Operating net back per boe increased 23% to \$23.50 per boe from \$19.16 per boe for the corresponding period last year due to higher gas prices and significantly lower operating costs per boe
- Proved plus probable reserves increased 56% to 3,925 Mboe
- Proved reserves increased 48% to 2,816 Mboe

MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis of the financial condition and results of operations of Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") should be read in conjunction with the Company's unaudited financial statements for the period ended March 31, 2008 and the audited financial statements and related notes for the year ended December 31, 2007. Additional information about Ironhorse, its operations and history including the Company's Annual Information Form may be found as filed on the System for Electronic Data Analysis and Retrieval at www.sedar.com. The calculation of barrels of oil equivalent ("boe") is based on a relative energy content conversion ratio of six thousand cubic feet ("mcf") of natural gas to one barrel of oil when measured at the burner tip. Production volumes reported are the Company's interest before royalties, and all amounts are expressed in Canadian dollars unless otherwise stated. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited interim financial statements as at and for the three months ended March 31, 2008 and 2007. This discussion and analysis may contain forward-looking information that is subject to known and unknown risks, uncertainties and other

factors. Readers are cautioned that actual future results, performance or achievements may be different from those expressed or implied and the difference may be material.

Non-GAAP Measures

The financial data presented has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") except for the term "cash flow from operations" and "operating netback". Cash flow from operations and operating netback have been presented for information purposes only and should not be considered an alternative to, or more meaningful than net income as determined in accordance with GAAP. The determination of the Company's cash flow from operations is set forth on the Statement of Cash Flows. Cash flow from operations per share was calculated using fully diluted weighted average shares outstanding at the end of the quarter. Operating netback and operating netback per boe are determined by subtracting royalties and operating expenses from revenues.

Disclosure Controls and Internal Controls for Financial Reporting

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures and concluded that these disclosure controls and procedures were effective as of March 31, 2008 and in respect of the period then ended.

The Chief Executive Officer and Chief Financial Officer concluded that the design of internal control over financial reporting was effective as at March 31, 2008 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. As Ironhorse has limited segregation of duties amongst its staff, it relies on key individuals as an integral part of this control process.

Critical Accounting Estimates

A summary of the Ironhorse's significant accounting policies is contained in Note 2 to the audited financial statements for the year ended December 31, 2007. These policies are subject to estimates and judgments about future events, many of which may be beyond the control of management. The following is a discussion of the accounting estimates that are critical to preparation of the financial statements.

Depletion and depreciation expense is based on the amortization of net capitalized costs less unproved property costs plus future development costs for oil and natural gas exploration and development activities using the unit-of-production method. This method of cost amortization is based on the ratio of oil and natural gas sales production to estimated proved oil and natural gas reserves. The evaluation of estimated proved oil and natural gas reserves was updated at March 31, 2008 by independent petroleum consultants and reviewed by the Company's Board of Directors. The process of estimating proved reserves involves professional judgment and a significant number of assumptions and decisions based on available geological, geophysical, production and economic data. Reserves estimates and future development costs change over time based on development and production activities and changing economic conditions. Unproved property costs are reviewed by management on a quarterly basis to determine if they should no longer be excluded from the cost base for amortization when proved reserves have been established or if the properties have become impaired. Changes to any of the aforementioned estimates could affect depletion and depreciation expense.

The Company's future asset retirement obligation is a fair value determination based on the present value of estimated costs and anticipated future timing to complete the abandonment and reclamation of Ironhorse's interest in wells and facilities. Cost estimates associated with abandonment and reclamation requires judgment concerning the method, timing and extent of future retirement activities. The present value calculations, which give rise to accretion expense adjustments each quarter of the year, are based on management's estimate of the Company's credit-adjusted risk-free interest rate. The future obligation and current accretion expense are subject to revision based on changes in technology, abandonment timing, reclamation costs, discount rates and the regulatory environment.

Stock options issued under the Company's stock option plan are accounted for using the fair value method. Stock-based compensation cost is determined on the date of an option grant using the Black-Scholes option pricing model,

which requires the estimation of several variables including volatility in Ironhorse share prices, expected life of the option and the risk-free interest rate. Changes to these estimates would alter the valuation of the option granted and its related charge to stock-based compensation expense.

Business Environment and Risks

Ironhorse is directly affected by oil and gas commodity price fluctuations, particularly on the sales volumes that the Company receives the daily spot prices. For the period ended March 31, 2008, natural gas production accounted for 99% of total Company production when measured on a Boe basis. In the first quarter of 2008, average Canadian natural gas prices were up 28% from the fourth quarter of 2007 due to cold weather and significant withdrawals from gas storage in North America which brought inventory levels in line with the five year average. Oil prices increased slightly during the first quarter of 2008 and remain at historically high levels.

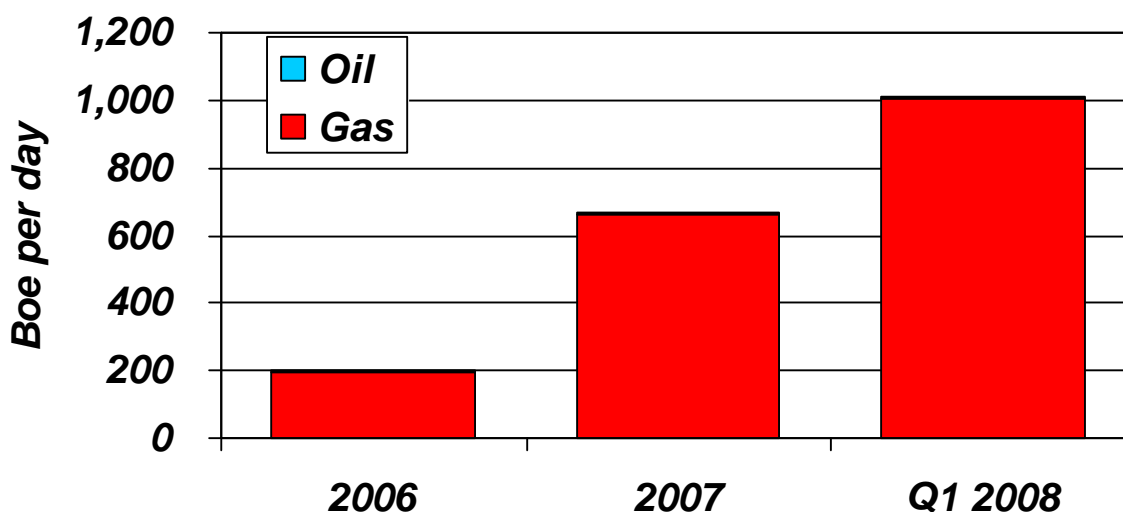
	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06
NYMEX prompt month for West Texas Intermediate crude oil (US\$/bbl)	\$97.85	\$90.73	\$75.33	\$64.99	\$58.24	\$57.75	\$70.66	\$70.67
Edmonton posted reference for crude oil (C\$/bbl)	97.80	86.79	80.26	72.40	67.16	65.07	79.23	78.34
NYMEX prompt month for Henry Hub natural gas (US\$/mmbtu)	8.75	7.37	6.24	7.64	7.17	7.26	6.13	6.70
AECO-C Spot price for natural gas (C\$/mcf)	7.94	6.19	5.22	7.10	7.37	6.91	5.71	6.07

To counter the risks of natural gas price fluctuations, and its effects on the ability of Ironhorse to maintain cash flow for capital investment purposes, management may enter into short-term fixed price or costless collar natural gas sales contracts.

The province of Alberta announced comprehensive changes to the crown royalties charged on petroleum sales effective January 1, 2009. If implemented as announced, a significant reduction could occur in industry activity in Alberta. Corporate interests at Pembina will be negatively affected by the implementation of the proposed royalty program. Industry continues to have ongoing dialogue with government representatives to outline consequences, which will have a serious affect on the exploration and development of higher productivity oil reservoirs, like those found in Pembina. Currently, virtually all of the Company's production comes from the Shackleton property in Saskatchewan.

Besides commodity price risk, the Company faces technical and operational risks and competition with other corporations with more financial and staffing resources. The Company will attempt to mitigate some of these risks by employing prudent financial practices, and concentrating on core areas where staff skills can be focused and a meaningful working interest can be acquired and managed.

Daily Production



Selected Quarterly Operating Data

	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06
Production								
Natural gas (mcf)	549,094	361,918	407,360	457,755	224,402	129,664	177,677	110,880
Crude oil and natural gas liquids (barrels)	546	746	899	539	445	681	717	787
Barrels of oil equivalent (boe)	92,062	61,066	68,792	76,832	37,845	22,292	30,330	19,267
Boe per day	1,012	664	748	844	421	242	330	212
Financial								
Revenue	\$4,063,060	\$2,226,934	\$2,168,909	\$3,121,154	\$1,523,869	\$975,898	\$985,517	\$646,935
Operating netback	2,165,179	1,133,278	1,254,125	1,698,334	725,068	523,475	435,233	289,586
Cash flow from operations	1,730,527	737,590	893,995	1,325,542	572,410	388,414	394,680	210,953
Net income (loss)	312,019	(262,557)	(252,726)	(115,455)	(181,407)	(208,302)	(277,688)	(150,176)
Basic and diluted net income (loss) per share	\$0.02	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
Capital expenditures	5,941,728	1,836,279	243,804	369,284	9,957,108	3,658,223	238,628	888,542
Working capital deficiency	12,205,382	7,983,328	7,231,714	7,332,883	7,966,037	4,337,357	1,764,724	1,487,126
Assets at period end	32,097,867	25,842,943	25,271,324	26,016,326	27,108,010	16,848,830	14,664,181	15,804,070
Financial and operations measures								
Price per mcf	\$7.86	\$6.11	\$5.16	\$6.74	\$6.64	\$7.22	\$5.25	\$5.31
Price per barrel	102.39	74.11	73.68	68.84	58.54	58.46	73.52	73.38
Price per boe	47.41	36.47	31.53	40.62	40.06	43.78	32.49	33.58
Royalty rate	41.09%	37.4%	34.3%	38.8%	41.3%	36.9%	43.4%	43.5%
Royalty per boe	18.12	13.62	10.80	15.74	16.53	16.15	14.09	14.61
Operating costs per boe	2.47	4.29	2.49	2.77	4.37	4.14	4.06	3.94
Operating Netback per boe	23.50	18.56	18.24	22.11	19.16	19.15	14.34	15.03
G&A per boe	3.16	3.67	3.66	3.82	3.20	5.55	1.65	4.97
Stock based compensation per boe	0.96	1.98	0.94	1.32	3.54	6.15	4.55	8.20

Operations

Production

Production for the three months ended March 31, 2008 increased 140% to 1,012 boes per day up from 421 boe per day for the same period in 2007. The increase was the result of our successful winter drilling program in the Shackleton area of southwestern Saskatchewan which resulted in 31 additional natural gas wells, bringing the total number of producing gas wells in the area to 68.

After completion of the winter drilling program in the first quarter of 2008, Ironhorse production peaked at 1,450 boe per day. Currently the Company is producing approximately 1,300 boe per day. The Company expects this production rate to decline slightly throughout the balance of the year due to natural declines in production from the Shackleton field.

Revenue

Revenues for the three months ended March 31, 2008 increased 168% to \$4.1 million from \$1.5 million for the same period in 2007. Revenues in the first quarter for 2008 increased 83% from the fourth quarter in 2007. The increase in revenues is attributable to higher production volumes and rising gas prices.

Gas prices, as referenced at AECO, for the first quarter increased 8% to average \$7.94 per mcf as compared to the corresponding period in 2007, and were up 28% from the fourth quarter of 2007.

Realized gas prices for the first quarter of 2008 averaged \$7.86 per mcf, an 18% increase over gas prices realized in 2007. The higher gas prices are a result of colder than normal weather across North America which reduced gas storage to levels consistent with the five year average.

For the three months ended March 31, 2008 the Company's revenues were reduced by \$125,000 due to its costless collar with a floor price of \$7.00 per GJ and a ceiling price of \$9.42 per GJ which expired March 31, 2008.

Management has entered into the following natural gas sales contracts for approximately 25% of its current gas production:

- For the period April 1, 2008 to October 31, 2008, the Company has entered into a fixed price natural gas sales contract for 2000 GJ per day at \$7.05 per GJ.
- For next winter's heating season covering November 1, 2008 to March 31, 2009, Ironhorse has entered into two costless collar physical natural gas sales contracts. One contract is for 1,000 GJ per day based on a floor price of \$7.75 per GJ and a ceiling price of \$9.45 per GJ. The other contract is for 500 GJ per day with a floor price of \$8.00 per GJ and a ceiling price of \$10.00 per GJ.

Management will continue to monitor the natural gas sales price markets and may enter into similar physical short-term natural gas sales contracts to protect the company from commodity price volatility and downside price risk.

Royalties

Royalties for the three months ended March 31, 2008 increased 167% to \$0.9 million from \$0.6 million for the same period in 2007 due to higher production volumes and increased gas prices. The Company's royalty rate for the first quarter remained unchanged at 41% compared to the first quarter of 2007. The royalty rate for the first quarter was up from the average royalty rate of 34% in the fourth quarter of 2007. The higher royalty rate in the first quarter is attributable to higher daily production rates associated with the wells placed on production in the first quarter and increasing gas prices.

The Company pays a lessor royalty on its Shackleton production to Indian Oil and Gas Canada. The lessor royalty is equivalent to Saskatchewan crown royalties. In addition, Ironhorse pays Indian Oil and Gas Canada a sliding scale, minimum 15%, overriding royalty. We expect the royalty rate for the balance of 2008 to be in the 40 to 45% range if gas prices remain at current levels.

Production Expenses

Operating costs for the first quarter decreased 43% to averaged \$2.47 per boe compared to \$4.37 per boe for the same period in 2007. The Company achieved greater operational efficiencies at Shackleton due to increased production while maintaining its fixed costs at previous levels. Operating costs were also down significantly from the average rate of \$4.29 per boe recorded in the fourth quarter of 2007 as volumes increased in the first quarter and annual costs related to lease rentals are paid in the fourth quarter. Operating costs are expected to remain at current levels or trend lower as we continue to achieve further economies of scale with increased production.

Operating Netback

Operating netback for the first quarter increased 23% to an average of \$23.50 per boe compared to \$19.16 for the same period in 2007. The increase was due to higher gas prices and lower operating costs on a per boe basis. The Company expects slightly higher operating netback during the balance of the year due to higher gas prices and production expenses to trend down while the royalty rate remains at current levels

General and Administration

General and administration expenses for the first quarter increased 140% to \$0.3 million as compared to \$0.1 million for the same period last year. General and administrative expenses per boe for the period decreased slightly to \$3.16 per boe as compared to \$3.20 for the corresponding period last year. Ironhorse enjoys the benefits of a technical and administration services agreement with Grizzly Resources Ltd. ("Grizzly"), a private oil and gas company, which has common management with the Company. Ironhorse is charged management fees based on production rates and capital expenditures incurred during the period. The increase in general and administration expense is due to increased fees payable to Grizzly as a result of higher production volumes. The Company expects general and administrative expenses per boe will trend lower in the second quarter as the production increases.

Ironhorse capitalizes a portion of its general and administration costs that relate to exploration and development activities. During the period, \$60,105 was capitalized compared to \$146,463 for the same period in 2007.

Stock-based Compensation

During the period, 355,000 options were granted (2007 – 210,500), 58,334 options were exercised (2007 – 11,667) and 139,666 options were cancelled (2007 – 222,999). Due to the reduced number of unvested options outstanding during the year and lower stock price volatility for purposes of valuing new options granted, stock-based compensation expense for 2008 was \$88,263 compared to \$133,905 in the same period last year and \$121,200 in the fourth quarter of 2007.

Interest

For the period ended March 31, 2008, interest expense amounted to \$127 thousand compared to \$13 thousand in 2007. The increase in interest expense resulted from higher levels of bank debt during the period, as the Company used its credit facility to fund its 2007 and 2008 winter drilling program. Total bank debt as at March 31, 2008 amounted to \$10.9 million.

Depletion, Depreciation and Accretion

(\$)	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06
Depletion and depreciation	1,166,976	972,695	1,207,978	1,366,717	659,635	537,872	683,264	221,724
Asset retirement accretion	13,024	9,268	13,893	8,480	22,484	1,112	2,854	2,906
Per boe	12.80	16.08	17.56	17.79	17.43	24.13	22.53	11.51

Depletion, depreciation and accretion expense (“DD&A”) amounted to \$1.2 million or \$12.83 per boe in the first quarter while the corresponding amounts in 2007 were \$0.7 million or \$17.40 per boe. The overall increase in total DD&A is due to higher production while the reduction in DD&A on a boe basis is due to increased proven natural gas reserves being added at a lower relative cost per boe. The Company was able to achieve cost efficiencies with respect to its field operations and by utilizing our existing infrastructure.

Capital expenditures

For the three months ended March 31, 2008, Ironhorse capital expenditures were \$5.9 million compared to \$10.0 million in 2007 in the following categories:

(\$000s)	2008	2007
Land	\$2	\$1,983
Geological and geophysical	29	118
Drilling and completion	5,178	7,115
Facilities	732	740
Total capital expenditures	\$5,941	\$9,957

Land acquisition costs were reduced from 2007 levels as no additional acreage amounts were acquired in the Shackleton area in 2008 versus 2007. Drilling and completion expenditures were 27% lower due to cost savings as a result of greater price competition in the service industry and 2007 drilling including an exploratory well in N.E. British Columbia.

(\$000s)	Q1 '08	Q4 '07	Q3 '07	Q2 '07	Q1 '07	Q4 '06	Q3 '06	Q2 '06
Shackleton	5,896	1,782	237	97	8,473	3,394	201	1,023
Pembina	42	4	12	20	32	5	38	124
N.E. British Columbia	3	50	(5)	252	1,452	1	-	-
Total	5,941	1,836	244	369	9,957	3,400	239	1,147

Shackleton

In the Shackleton area located in southwestern Saskatchewan, the Company holds a 50% interest in 11,788 gross acres of petroleum and natural gas rights, as well as the associated wells, gas gathering pipelines and plant facilities. In the previous year's winter drilling program, the Company participated in the drilling and placing on production of 31 natural gas wells. In the fourth quarter of 2007, additional gas gathering pipelines were installed in preparation for the 2007-2008 winter drilling program. During the balance of 2008, the Company will complete preparations for the 2008-2009 winter drilling program, projecting to add an additional 31 gas wells.

Pembina

At Pembina, in west central Alberta, Ironhorse holds an 18.75% interest in 5,280 gross acres of prospective undeveloped land in the area, which is actively being explored in the prolific Nisku oil horizon by other industry participants. Wells offsetting Company lands have tested at rates of 500 to 2,500 boe per day of light sour oil. During 2007, the focus has been on seismic evaluation of Company lands and those nearby. In 2008, Ironhorse is planning to obtain licenses to drill two wells later in 2008. Due to the nature of the light sour oil being produced from wells in this area, very detailed development plans with regulatory and community input need to be prepared in order to obtain drilling licenses in this area.

Petroleum and Natural Gas Reserves and Net Present Value

The following tables summarize the Company's remaining oil and natural gas reserve volumes along with the present value of future cash flows utilizing forecast pricing and cost estimates at March 31, 2008.

Reserves	Natural Gas (mmcf)	Oil & NGLs (mmbbl)	Boe (mboe)
Proved Producing	10,499	17	1,767
Proved Developed Non-producing	1,017	-	169
Proved Undeveloped	5,279	-	880
Total Proved	16,795	17	2,816
Probable	6,627	5	1,109
Total Proved Plus Probable	23,422	22	3,925

Net Present Value Before Income Taxes (\$000s)	Discounted at				
	0%	5%	8%	10%	12%
Proved Producing	45,938	38,546	35,187	33,278	31,584
Proved Developed Non-producing	4,049	2,500	1,921	1,629	1,393
Proved Undeveloped	17,986	12,288	9,992	8,771	7,741
Total Proved	67,974	53,334	47,101	43,678	40,718
Probable	31,205	16,339	11,863	9,823	8,279
Total Proved Plus Probable	99,179	69,674	58,963	53,502	48,996

At March 31, 2008, GLJ Petroleum Consultants Ltd. completed an evaluation of the Company's petroleum and natural gas reserves and their associated cash flows. The before tax net present value of the estimated future cash flow for proved and probable reserves discounted at 10% was \$53.5 million, an increase of \$21.4 million from December 31, 2007. At the Company's request GLJ Petroleum Consultants Ltd. also prepared a price sensitivity evaluation of the Company's petroleum and natural gas reserves and their associated cash flows using current strip gas prices. The before tax net present value of the estimated future cash flow for proved and probable reserves discounted at 10% was \$57 million.

On a proved and probable basis, Ironhorse added 1.4 million boes of reserves in the first quarter. With the inception-to-date investment at Shackleton being \$29.3 million, and remaining future costs of \$7.8 million to fully develop the booked proved and probable reserves, finding and development costs in this area now stand at \$9.28 per boe.

Liquidity and Capital Resources

Ironhorse has a \$12 million credit facility of which \$10.9 million was drawn at March 31, 2008. The Company plans to pay down its credit facility throughout the balance of the year as increased production and higher gas prices have combined to increase monthly cash flow from operations while minimal capital expenditures are planned for the second quarter of 2008.

Subsequent to March 31, 2008 the Company completed a private placement of 400,000 common shares for gross proceeds of \$620,000.

Outlook

Increased production and higher gas prices will allow the Company to pay down its debt in the near term and accelerate work on its expanded full cycle exploration and development program. Ironhorse will continue to investigate various corporate development opportunities during the balance of fiscal 2008 as our under levered balance sheet will allow us to acquire oil and gas assets or corporations. Ironhorse plans to drill one to two wells in the Pembina area this fall.

Dated: May 26, 2008

IRONHORSE OIL & GAS INC.
Balance Sheets

	March 31 2008	December 31 2007
	<i>(Unaudited)</i>	
ASSETS		
Current assets:		
Cash	\$ 9,655	\$ 44,518
Accounts receivable	2,138,932	833,791
Prepaid expenses	26,173	47,579
	2,174,760	925,888
Property and equipment (note 2)	29,923,107	24,917,055
	\$32,097,867	\$25,842,943
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,476,334	\$ 2,015,408
Bank loan (note 7)	10,903,808	6,893,808
	14,380,142	8,909,216
Asset retirement obligation (note 3)	893,453	666,379
Future income taxes (note 4)	1,359,934	1,192,439
	16,633,529	10,768,034
Shareholders' equity:		
Share capital (note 5)	18,896,797	18,887,650
Contributed surplus (note 5)	1,062,067	993,804
Deficit	(4,494,526)	(4,806,545)
	15,464,338	15,074,909
	\$ 32,097,867	\$ 25,842,943

See accompanying notes to the financial statements.

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

	2008	2007
Revenue	\$4,063,060	\$ 1,523,869
Royalties	(1,669,081)	(625,604)
	2,393,979	898,265
Expenses		
Operations	227,812	165,219
General and administration	291,131	121,252
Stock-based compensation	88,263	133,905
Interest	127,259	13,484
Depletion, depreciation and accretion	1,180,000	682,119
	1,914,465	1,115,979
Income (loss) before income taxes	479,514	(217,714)
Future income tax (recovery) (note 4)	167,495	(36,307)
Net income (loss)	312,019	(181,407)
Deficit, beginning of the period	(4,806,545)	(3,994,400)
Deficit, end of the period	\$ (4,494,526)	\$ (4,175,807)
Net income (loss) per share		
Basic	\$ 0.02	\$ (0.01)
Diluted	\$ 0.02	\$ (0.01)

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.
Statements of Cash Flows
For the Three Months Ended March 31,
(Unaudited)

	2008	2007
Cash flows from operating activities:		
Net income (loss)	\$ 312,019	\$ (181,407)
Add (deduct) items not affecting cash		
Depletion, depreciation and accretion	1,180,000	682,119
Future income tax (recovery)	167,495	(36,307)
Stock-based compensation	88,263	133,905
Abandonment costs incurred	(17,250)	(25,900)
Cash flow from operations	1,730,527	572,410
Changes in non-cash working capital	(641,788)	(152,414)
	1,088,739	724,824
Cash flows from financing activities		
Increase (decrease) in bank loan	4,010,000	(686,000)
Issuance of common shares	-	5,753,135
Exercise of stock options	22,167	2,883
Repurchase of common shares	(33,020)	-
	3,999,147	5,070,018
Cash flows from investing activities		
Expenditures on property and equipment	(5,941,728)	(9,957,108)
Changes in non-cash working capital	818,979	4,361,303
	(5,122,749)	(5,595,805)
Net increase (decrease) in cash during the period	(34,863)	199,037
Cash, beginning of the period	44,518	8,674
Cash, end of the period	\$ 9,655	\$ 207,711

See accompanying notes to the financial statements.

IRONHORSE OIL & GAS INC.

Notes to the Financial Statements

For the Three Months Ended March 31, 2008 and 2007

These unaudited interim financial statements include the accounts of Ironhorse Oil and Gas Inc. ("Ironhorse" or the "Company"). These unaudited interim financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2007 except as disclosed in note 1 below. The disclosures herein are incremental to those included with the annual financial statements. These unaudited interim financial statements and notes should be read in conjunction with the audited financial statements and the notes thereto in the Company's annual report for the year ended December 31, 2007. Preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

1. CHANGES IN ACCOUNTING POLICIES

Capital Disclosures

On January 1, 2008, the Company adopted the new standards for Capital Disclosures requiring disclosures regarding an entity's objectives, policies, and processes for managing capital. These disclosures include a description of what the Company manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the Company's management of capital, whether the requirements have been complied with, or consequences of non-compliance and an explanation of how the Company is meeting its objectives for managing capital. In addition, quantitative data about capital and whether the Company has complied with all capital requirements are also required (see note 8).

Financial Instruments – Disclosures and Presentation

On January 1, 2008, the Company adopted the new standards relating to "Financial Instruments – Disclosures" and "Financial Instruments – Presentation", which replaced the previous standard "Financial Instruments – Disclosure and Presentation". The new disclosure standard outlines the disclosure requirements for financial instruments and non-financial derivatives. The guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed. Specifically, it requires disclosure of the significance of financial instruments for a company's financial *position*. *In addition*, the guidance outlines revised requirements for the disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. The new presentation standard requirements are relatively unchanged from the previous presentation requirements.

These financial statements have been prepared by management and have not been audited or otherwise reviewed by an external auditor and should be read in conjunction with the Company's financial statements for the quarter ended March 31, 2008 and the Company's audited financial statements for the year ended December 31, 2007.

IRONHORSE OIL & GAS INC.
Notes to the Financial Statements
For the Three Months Ended March 31, 2008 and 2007

2. PROPERTY, PLANT AND EQUIPMENT

March 31, 2008		December 31, 2007	
Property, Plant and Equipment, at cost	Accumulated Depletion and Depreciation	Net	Net
\$ 36,587,398	\$6,979,174	\$29,608,224	\$24,917,055

The Company has capitalized \$60,105 of general and administrative costs in the period ended March 31, 2008 (year ended December 31, 2007 – \$184,974). An estimated future capital cost of \$7,736,000 (December 31, 2007 – \$7,647,000) required for properties to which proven reserves have been attributed, has been added to property and equipment costs for depletion purposes. The cost of unproved properties excluded from depletion at March 31, 2008 and December 31, 2007 was \$2,220,092.

3. ASSET RETIREMENT OBLIGATION

	Three months ended March 31,	
	2008	2007
Asset retirement obligation, beginning of the period	\$ 666,379	\$ 323,037
Incurred in the period	228,214	245,353
Expenditures made on asset retirements	(17,250)	(25,900)
Revisions	3,086	14,221
Change in present value during period	13,024	8,263
Asset retirement obligation, end of the period	\$ 893,453	\$ 564,974

The total undiscounted amount of cash flows required to settle the obligations as measured at March 31, 2008 is estimated to be \$2,202,045 (December 31, 2007 - \$951,555). These obligations are expected to be settled at various times over the 16 years subsequent to March 31, 2008. The credit-adjusted risk free rate at which the estimated cash flows were discounted was 8% during the period ended March 31, 2008 (December 31, 2007 – 7.75%) and the estimated inflation rate used to project future costs was 1.5% (December 31, 2007 – 1.5%).

4. INCOME TAXES

As at March 31, 2008 the Company has remaining commitments to incur approximately \$167,000 of qualifying expenditures prior to December 31, 2008.

IRONHORSE OIL & GAS INC.
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5. SHARE CAPITAL

The Company has authorized unlimited common shares and unlimited first preferred shares. The outstanding share capital is as follows:

(a) Common Shares

	Three months ended March 31, 2008	
	Number	Amount
Balance, beginning of the period	19,476,809	\$ 18,887,650
Issued upon exercise of stock options	58,334	22,167
Shares repurchased pursuant to normal course issuer bid	(25,900)	(13,020)
Balance, end of the period	19,509,243	\$ 18,896,797

(b) Stock Options

Under the Company's stock option plan, common share purchase options may be granted to directors, officers, staff and consultants. The Company may grant options to purchase common shares up to a maximum of 10% of the number of issued and outstanding common shares. The granted common share purchase options are subject to vesting requirements as determined upon granting and are subject to expiry five years following the date granted.

	Period ended March 31, 2008	
	Number Outstanding	Weighted Average Price per Share
Balance, beginning of the period	1,607,500	\$ 1.26
Exercised	(58,334)	0.38
Cancelled	(139,666)	1.81
Granted	355,000	1.35
Balance, end of the period	1,765,500	\$ 1.26
Exercisable, end of the period	987,338	\$ 0.91

(c) Contributed Surplus

	Period ended March 31 2008	Period ended March 31 2007
Contributed surplus, beginning of the period	\$ 993,804	\$ 854,156
Stock-based compensation charged during the period	88,263	133,905
Normal course issuer bid excess over stated capital	(7,000)	(3,868)
Amounts transferred to share capital on exercise of options	(13,000)	-
Contributed surplus, end of the period	\$ 1,062,067	\$ 984,375

IRONHORSE OIL & GAS INC.

Notes to the Financial Statements

For the Three Months Ended March 31, 2008 and 2007

6. RELATED PARTY TRANSACTIONS

The Company is party to an administrative services contract with Grizzly Resources Ltd., a company related by virtue of common management. Grizzly Resources Ltd. is also a significant partner in the Company's operating areas of southwest Saskatchewan and Pembina. These transactions are in the normal course of business and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

	Period ended March 31,	
	2008	2007
Administrative services contract	\$ 195,075	\$ 202,564

As at March 31, 2008, \$99,020 (December 31, 2007 – \$140,302) related to these services was included in accounts payable and accrued liabilities.

7. BANK LOAN

The Company has a revolving production loan credit facility to a maximum of \$12,000,000 with a financial institution of which \$10,903,808 has been drawn as at March 31, 2008 (December 31, 2007 – \$6,893,808). The first \$8,000,000 of the amount outstanding bears interest at the financial institution's prime rate plus 0.25% and the balance bears interest at the financial institution's prime rate plus 1.00%. The facility is secured by a floating charge debenture providing coverage over all present and after acquired property of the Company.

8. CAPITAL DISCLOSURES

In order to continue the Company's future exploration and development program, the Company must maintain a strong capital base. A strong capital base results in increased market confidence, an essential factor to maintain existing shareholders and attract new investors. The Company's commitment is to establish and maintain a strong capital base to enable the Company to access the equity and debt markets when deemed advisable. In order to maintain a strong capital base, the Company continually monitors the risk reward profile of its exploration and development projects and the economic indicators in the market including commodity prices, interest rates and foreign exchange rates. It then determines increases or decreases to its capital budget.

The Company considers shareholder's equity, bank debt and working capital as components of its capital base. The Company can access or increase capital through the issuance of shares, through bank borrowings, that are based on reserves, and by building cash reserves by reducing its capital expenditure program.

The Company monitors its capital based primarily on its debt to annualized cash flow ratio. Debt includes bank debt plus working capital. Annualized cash flow is calculated as cash flow from operations before changes in non-cash working capital from the Company's most recent quarter multiplied by four. The Company's strategy is to maintain this ratio at less than 1.5:1 with a long term target of 1:1. This ratio may increase somewhat depending on the timing and nature of the Company's activities. To facilitate the management and control of this ratio, the Company prepares an annual operating and capital expenditure budget. The budget is updated

IRONHORSE OIL & GAS INC.

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when critical factors change. These factors include economic factors such as the state of equity markets, changes to commodity prices, interest rates and foreign exchange rates and non economic factors such as the Company's drilling results and its production profile. The Company's board of directors approves the budget and changes thereto.

At March 31, 2008, the Company's debt to cash flow ratio was 1.8:1. The ratio was higher than normal at the end of the first quarter as the majority of the Company's capital budget for the fiscal year was expended in the first quarter due to the seasonal limitations for drilling wells in the Shackleton area. The increased activity level resulted in the Company carrying a higher debt load at March 31, 2008. The drilling program resulted in immediate production additions which will increase our cash flow during the second quarter such that we expect the Company's debt to cash flow ratio will be below 1:1 by the end of the second quarter.

The Company's share capital is not subject to external restrictions but the Company does have financial covenants in regards to its operating bank facility. The facility requires that the Company maintain a ratio of Funded Debt to Cash Flow, calculated on a rolling quarter four quarter basis, equal to or less than 3:1 at all times.

BOARD OF DIRECTORS AND MANAGEMENT

Directors

Larry J. Parks, Chairman
Blaine C. Favel
Jeff Lawson
Gerry C. Quinn
James K. Wilson

Officers

Larry Parks, President & Chief Executive Officer
Rob Solinger, VP Finance & CFO
Cam Weston, VP Land
Bill Manley, VP Engineering & Operations
Al Williams, VP Exploration
Jim Wilson, VP & Corporate Secretary

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