

MANAGEMENT'S DISCUSSION and ANALYSIS

ADVISORIES

This Management's discussion and analysis ("MD&A"), prepared effective November 17, 2009 should be read in conjunction with the Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") unaudited financial statements for the nine months ended September 30, 2009 and the audited financial statements for the year ended December 31, 2008.

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 MD&A is the Canadian dollar, unless otherwise stated.

Non-GAAP Measures - Ironhorse evaluates performance based on net income, cash flow from operations, cash flow per share, net debt and field netback. Cash flow from operations, cash flow 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.

Ironhorse calculates cash flow 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 method 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 cash flow necessary to finance future capital investments.

The following table reconciles cash flow from operations to cash flow from operating activities per the Statement of Cash Flow which is the most directly comparable measure calculated in accordance with GAAP:

(\$ thousands)	Nine months ended September 30	
	2009	2008
Cash provided by operating activities per Statements of Cash Flows	4,740	3,471
Changes in non-cash working capital	(1,518)	3,005
Cash flow from operations as defined above	3,222	6,476

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 economic efficiency of its oil and gas assets.

Net Debt - Ironhorse also uses net debt in relation to cash flow as a key performance indicator. Net debt is calculated as current liabilities less current assets.

Cash flow 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:

- Cash flow estimates for 2009 of \$4 million and 2010 of \$10 million.
- The expectation that the two (0.4 net) Pembina oil wells will be placed on production by July 1, 2010. In order to place the oil wells on production a sour gas pipeline must be constructed and service wells need to be drilled which require area resident input and regulatory approval.
- Participating in drilling four new exploration prospects this coming winter.
 - Three of which are targeting oil at Dawson, Alberta, Pembina, Alberta and Shaunavon, Saskatchewan.
 - One of which is targeting liquid rich natural gas in NE British Columbia

Risk Factors

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

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

The Company's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program. The Corporation's need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. The Company anticipates that future capital requirements will be funded through a combination of cash flow from operations, debt 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, management of the Company may use derivative financial instruments to reduce corporate risk in certain situations.

Internal Controls over Financial Reporting

Recent changes in securities laws 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 September 30, 2009 interim 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 interim 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 interim MD&A and financial statements;
- iii) that based upon their knowledge, the interim filings, together with the other financial information included in the interim 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.

Business Strategy

The business plan of the Company is to create profitable per share value growth in the exploration for, and the development and production of, natural gas and crude oil in western Canada. Ironhorse pursues a growth strategy involving exploratory and development drilling augmented by strategic acquisitions of properties and companies where exploitation, development and exploration opportunities exist. The Company's current areas of focus are in the western Canada corridor trending from northeast British Columbia through central Alberta to southwest Saskatchewan.

Ironhorse's strategy involves acquiring crown, freehold and First Nation mineral rights where our management and technical team have expertise. We believe this creates a competitive advantage for the Company.

Impact of Current Economic Volatility and Uncertainty

The current economic volatility and uncertainty in Canada and around the world has contributed to dramatic changes in oil and gas commodity prices and restricted access to new capital. In response to these volatile and uncertain times Ironhorse is constantly monitoring its planned capital expenditures, cash flow from operations and available credit facilities. The Company has sufficient financial resources to undertake a capital program of up to \$10 million in 2009 and a capital budget of \$13.5 million in 2010. In the first nine months Ironhorse incurred \$7.4 million of capital expenditures.

In October the Company's credit facility was increased to \$20 million comprised of a \$16 revolving production facility and a \$4 million non revolving development facility to finance the costs of placing Pembina oil discovery on production. Future adjustments to the Company's credit facility will depend on then current oil and natural gas commodity prices and changes in our proved producing reserves. At September 30, 2009 we had net debt of \$11.1 million this amount is expected to decrease in the near term when the Company closes its recently announced private placement for gross proceeds of \$3.5 million. Management believes its current credit facility together with cash flow from operations will be sufficient to finance the planned capital expenditures for 2009 and 2010.

Cash flow from operations for 2009 is expected to be approximately \$4 million. Cash flow for 2010 is estimated at \$10 million. The \$10 million estimate for cash flow assumes average production of 1,200 boe per day with oil production from Pembina commencing in the third quarter of 2010 and average commodity prices of \$5.30 per mcf for gas and \$80 per bbl for oil. Actual results will vary depending on oil and gas commodity prices, production declines on our Shackleton gas wells, the timing for placing the Pembina oil wells on production and future drilling results. Management is continually reviewing its operations and making adjustments to its planned capital expenditures to accommodate differences between cash flow estimates and actual results.

Third quarter 2009 overview

SELECTED INFORMATION	Three months ended		
	September 30 2009	June 30 2009	September 30 2008
<i>Thousands except per share amounts</i>			
Financial			
Revenue	1,858	2,298	4,355
Royalties	407	591	1,558
Cash flow from operations	798	881	1,806
Per share diluted	0.04	0.04	0.09
Net income (loss)	(511)	(653)	227
Per share diluted	(0.02)	(0.03)	0.01
Total assets	34,438	35,478	31,070
Capital expenditures	384	1,017	366
Net debt	11,142	11,505	8,645
Weighted average shares outstanding			
basic	21,663	21,751	20,111
fully diluted	21,698	21,751	20,489
Operations			
Production			
Gas – mcf/d	6,252	7,233	6,624
Oil – bbl/d	9	17	7
Total – boe/d	1,051	1,223	1,111
Company average sales price			
Gas - \$/mcf	3.15	3.37	6.99
Oil - \$/bbl	57.54	59.47	114.82
Boe - \$/boe	19.22	20.85	42.61
Royalty - \$/boe	4.21	5.36	15.24
Operating expenses - \$/boe	2.81	3.00	2.42
Field Netback - \$/boe	12.20	12.49	24.95
General & administrative expenses - \$/boe	3.10	3.85	3.31

Production for the third quarter of 2009 was slightly lower than the second quarter as the wells drilled at Shackleton in the first quarter experienced normal declines. Production for the fourth quarter of 2009 is expected to trend lower due to normal declines in the Shackleton area. Production will increase next year when the Pembina oil wells are placed on production. The Pembina oil wells are expected to be placed on production in the second half of 2010. The Pembina oil wells are expected to increase our net production by over 800 boe per day. The exact timing will depend on receiving regulatory approval for the construction of a pipeline to take the light oil and associated sour gas to a gas processing facility. This estimate of production and timing is based on management's analysis of the well logs, flow test data, comparisons to analogous oil wells in the area and our review of the tie-in options. Actual production rates and the timing for placing the oil wells on production could be materially different due to factors beyond our control including receiving regulatory approvals. The addition of these oil wells will provide Ironhorse with a more balanced gas/oil production mix and reserve base.

OPERATIONS

Our operations are focused in Shackleton, Saskatchewan, Pembina, Alberta and NE British Columbia.

Shackleton is a shallow gas development project. Currently our lands have been developed on a drilling density of one gas well per quarter section. Offsetting lands are being developed on a drilling density of two gas wells per quarter section. The Company may undertake an infill drilling program which could double the number of producing gas wells by drilling up to 100 (50 net) additional gas wells. The economics and timing of this project will require one or more of the following to occur: receiving approval for broader seasonal access as opposed to "winter only" drilling which would significantly reduce drilling costs; higher gas prices; lower royalties; or some combination of all of the above.

In the Pembina area the Company is working on the tie-in of the two (0.4 net) oil wells and evaluating Company lands for possible additional drilling locations.

In NE British Columbia we plan to drill our first (net 0.5) well in the Bubbles area later this year. The prospect is targeting various conventional gas and tight gas formations.

In addition we are evaluating "drill ready" farm-in opportunities that are available from other oil and gas companies given the current economic environment.

Sales Volumes

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
Daily sales volumes							
Natural gas	<i>mcf/d</i>	6,252	6,624	(6)	6,633	6,752	(2)
Light oil & NGLs	<i>bbls/d</i>	9	7	28	11	7	57
Total	<i>boe/d</i>	1,051	1,111	(5)	1,117	1,132	(1)

Sales volumes for the period ended September 30, 2009 averaged 1,051 boe per day, a decrease of 5% from the 1,111 boe per day during the corresponding period in 2008. The decrease in production is attributable to lower natural gas production which resulted from normal declines in production in the Shackleton area.

The Company estimates 2009 production will average 1,050 boe per day. Actual production will depend on how the Shackleton gas wells perform during the balance of the year.

Marketing and Revenue

		Three months ended September 30			Nine months ended September 30		
		2009	2008	%Change	2009	2008	%Change
Benchmark							
Alberta Spot – Natural gas	\$/mcf	2.98	7.79	(62)	3.77	8.65	(56)
West Texas Intermediate - Oil	US\$/bbl	68.19	118.17	(42)	57.93	112.78	(49)
Edmonton Par - Oil	\$/bbl	71.67	122.90	(42)	63.37	115.40	(45)
Company Prices							
Natural gas price	\$/mcf	3.15	6.99	(55)	3.88	7.74	(50)
Light oil price	\$/bbl	57.54	114.82	(50)	59.27	107.66	(45)
Boe	\$/boe	19.22	42.61	(55)	23.64	46.83	(50)
Revenue							
Natural gas	\$m	1,811	4,265	(58)	7,024	14,320	(51)
Light oil & NGLs	\$m	45	87	(48)	178	209	(15)
Other	\$m	2	3	(33)	6	9	33
Total	\$m	1,858	4,355	(57)	7,208	14,538	(50)

The Company's Shackleton gas production is marketed through the marketing arm of a large international oil and gas company. Ironhorse's Shackleton gas receives the Alberta gas spot price at the AECO Hub adjusted for heating content, plus \$0.04 per gigajoule ("GJ") less a transportation charge of approximately \$0.13 per GJ. The Company's natural gas receives a price which is approximately 7% lower than the average benchmark price due to the lower heat content per mcf of the Shackleton natural gas. 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 peaked in the second quarter of 2008 and have generally drifted down throughout the balance of 2008 and the nine months of 2009 as North American supply increased primarily due to the development of "shale gas reserves" in the United States while commercial and industrial demand declined in response to the economic down turn. During the third quarter approximately 50% of Ironhorse's natural gas production was sold on the spot market and the balance was sold at contracted prices. As a result of the 2009 contracted pricing agreements Ironhorse's realized gas price was approximately \$0.44 per mcf higher than it would have been if all the gas had been sold at spot prices.

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

Management entered into the following natural gas sales contracts with respect to the 2008/2009 winter heating season covering November 1, 2008 to March 31, 2009:

- 1,000 GJ per day with a floor price of \$7.75 and a ceiling price of \$9.45 per GJ and
- 500 GJ per day with a floor price of \$8.00 and a ceiling price of \$10.00 per GJ.

Management has entered into the following natural gas sales contracts with respect to the balance of 2009 and into 2010:

- 1,000 GJ per day April 1 to October 1 at a fixed price of \$4.03 per GJ,
- 500 GJ per day April 1 to October 1 costless collar with a floor price of \$3.50 and a ceiling price of \$4.52 per GJ,
- 500 GJ per day April 1 to October 1 three way costless collar with a floor price of \$2.75 and \$3.50 and a ceiling price of \$4.85 per GJ, (at a price of less than \$2.75 per GJ we get the actual gas price plus \$0.75),

- 500 GJ per day May 1 to June 30, 2010 costless collar with a floor price of \$4.00 and a ceiling price of \$4.95 per GJ,
- 500 GJ per day May 1 to June 30, 2010 three way costless collar with a floor price of \$3.00 and \$4.00 and a ceiling price of \$5.40 per GJ,(at a price of less than \$3.00 per GJ we get the actual gas price plus \$1.00).

In the third quarter the Company “closed out” the balance of its April 1 to October 1 2009 sales contracts resulting in a gain of \$108,000. Subsequent to September 30, 2009 the Company closed out the remaining contracts for a net loss of \$64,000.

Sales revenues for the three and nine month periods ended September 30, 2009 decreased 57% and 50% respectively due to lower natural gas prices.

Revenues for the balance of 2009 are expected to trend higher as gas prices have recovered slightly and management expects this trend to continue as we move in to the winter heating season.

Royalties

		Three months ended September 30			Nine months ended September 30		
		2009	2008	%Change	2009	2008	% Change
Royalties	\$m	407	1,558	(74)	1,820	5,785	(69)
Per boe	\$	4.21	15.24	(72)	5.97	18.63	(68)
Royalty rate	%	21.9	35.8	(39)	25.2	39.8	(37)

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

For three and nine month periods ended September 30, 2009 royalties decreased 74% and 69% respectively due to lower natural gas revenues. The decrease in royalties as a percentage of revenue is attributable to lower gas prices and the positive impact of the fixed price sales contracts.

Royalties for the balance of 2009 are expected to be approximately 25% to 30%, depending on natural gas prices.

Operating Expenses

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
Operating expenses	\$m	272	247	10	880	642	37
Per boe	\$	2.81	2.42	16	2.89	2.07	39

Operating expenses were \$0.3 million, or \$2.81 per boe, for the quarter ended September 30, 2009 compared to \$0.2 million or \$2.42 per boe, during the comparable period of 2008. The increase in operating expenses and the higher rate per boe was due to some minor repairs being completed at Shackleton and Ironhorse’s other minor properties.

Operating expenditures for the balance of 2009 are expected to be approximately \$2.50 to \$3.00 per boe. Our operating expenses on a boe basis compare favourably to peers in the industry as we own and operate the infrastructure necessary to produce the natural gas at Shackleton.

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

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
G&A	\$m	300	338	(11)	1,067	951	12
SBC	\$m	84	328	(74)	260	428	(39)
Per boe							
G&A	\$	3.10	3.31	(6)	3.50	3.06	14
SBC	\$	0.87	3.21	(73)	0.85	1.38	(38)

For the quarter ended September 30, 2009, G&A decreased 11% primarily due to lower management fees which vary with production volumes.

Management fees charged to G&A are based on the Company’s production, with fees being adjusted annually for inflation effective January 1st of each following year. The rate for fiscal 2009 is \$2.43 (2008 - \$2.35) per boe. For additional information on management fees refer to the related party section of this MD&A.

G&A and SBC are expected to remain at approximately \$3.00 and \$0.85 per boe respectively for the balance of 2009.

Interest Expense

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
Interest expense	\$m	81	156	(48)	212	417	(49)
Per boe	\$	0.84	1.53	(45)	0.70	1.34	(48)

Interest expense for the three and nine months ended September 30, 2009 decreased 48% and 49% respectively due to lower interest rates.

The Company expects interest expense in 2009 to remain at current or lower levels as interest rates are expected to remain at current levels while debt levels decrease when the private placement closes in November.

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

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
DD&A	\$m	1,391	1,394	-	4,497	4,101	10
Per boe	\$	14.40	13.64	6	14.75	13.21	12

The DD&A provision for the three months ended September 30, 2009 was consistent with the prior year. On a per boe basis, the DD&A per boe ratio increased by 6% in 2009 due to higher pro-rata capital expenditures relative to the proven reserves additions in the year.

The depletion, depreciation and accretion rate per boe for 2009 is expected to remain the same.

Income Taxes

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
Income Taxes	\$m	(166)	107	(255)	(353)	756	(147)

The change in income taxes is consistent with the decrease in income before taxes.

Field Netback

\$ Per boe	Three months ended September 30			Nine months ended September 30		
	2009	2008	% Change	2009	2008	% Change
Revenue	19.22	42.61	(55)	23.64	46.83	(50)
Less: Royalties	4.21	15.24	(72)	5.97	18.63	(68)
Operating expenses	2.81	2.42	16	2.89	2.07	39
Field netback	12.20	24.95	(51)	14.78	26.13	(43)

Ironhorse's field netback per boe for the three and nine months ended September 30, 2009 decreased 51% to \$12.20 and 43% to \$14.78 respectively. The lower field netback was a result of lower natural gas prices and increased operating expenses which were partially offset by lower royalties. Field netbacks are expected to trend higher in the fourth quarter of 2009 due to increases in natural gas prices.

Cash Flow from Operations and Net Income (Loss)

		Three months ended September 30			Nine months ended September 30		
		2009	2008	% Change	2009	2008	% Change
Cash flow from operations	\$m	798	1,806	(56)	3,222	6,476	(50)
Diluted per share	\$	0.04	0.09	(56)	0.15	0.33	(53)
Net Income (loss)	\$m	(511)	227	(326)	(1,182)	1,458	(181)
Basic and diluted per share	\$	(0.02)	0.01	(300)	(0.05)	0.07	(171)
Weighted average shares outstanding							
Basic	m	21,663	20,489	6	21,744	19,847	10
Diluted	m	21,698	20,489	6	21,789	20,224	8

Cash flow from operations for the three and nine months ended September 30, 2009 decreased 56% to \$0.8 million from \$1.8 million in 2008 and 53% to \$3.2 million from \$6.5 million in 2008 respectively. The decrease in cash flow from operations and net income was due primarily to lower natural gas prices.

Capital Expenditures

Expenditure category	\$m	Three months ended September 30			Nine months ended September 30		
		2009	2008	%Change	2009	2008	%Change
Land		250	13	1,823	520	1,204	(57)
Seismic		60	41	46	171	95	80
Drilling, completions and tie-in		54	275	(80)	6,455	6,295	3
G&A		20	37	(46)	249	130	92
		384	366	5	7,395	7,724	(4)

Area	Three months ended September 30			Nine months ended September 30		
	2009	2008	%Change	2009	2008	%Change
\$m						
SW Saskatchewan	133	253	(47)	4,591	7,135	(36)
NE British Columbia	-	49	(100)	50	345	(86)
Central Alberta	231	27	756	2,505	114	2,097
G&A	20	37	(46)	249	130	92
	384	366	5	7,395	7,724	(4)

During the third quarter Ironhorse incurred nominal capital expenditures which included additional mineral rights and trade seismic.

Capital expenditures for the balance of the year are expected to be up to \$2.6 million and will vary with the exact timing of the drilling, completion and tie in activities.

Related Party Transactions

Ironhorse is party to a management services agreement with Grizzly Resources Ltd. ("Grizzly") a company related by virtue of common management. Pursuant to the terms of the agreement Grizzly provides technical and administrative services typically required in operating an oil and gas company. This arrangement has provided Ironhorse with the benefits of accessing a larger more comprehensive pool of technical and administrative services than it could otherwise afford during its early stage of development. The management contract charges Ironhorse a fee based on units of production and a percentage of capital expenditures. The production fee is charged to G&A and is calculated on a producing boe basis. The production fee per boe was increased from \$1.75 to \$2.35 effective April 1, 2008 and adjusted for inflation to \$2.43 per boe effective January 1, 2009. The production fee is reduced by all "monthly well operating overhead" charged through joint interest billings. The fee on capital expenditures is capitalized to property and equipment. The capital fee was increased from 3 to 4 percent effective April 1, 2008 and adjusted for inflation to 4.13 percent effective January 1, 2009. The amount of the capital fee is reduced by all "capital overhead" charges which are otherwise charged through joint interest billings.

		Three months ended September 30			Nine months ended September 30		
		2009	2008	%Change	2009	2008	%Change
Production fees	\$m	193	203	(5)	595	554	7
Capital fees	\$m	19	40	(53)	249	129	93
Management fees	\$m	212	243	(13)	844	683	24

Normal Course Issuer Bid

Pursuant to the terms of the current normal course issuer bid, Ironhorse may purchase for cancellation, as Ironhorse considers advisable, up to a maximum of 1,493,459 common shares during the 12 month period commencing December 1, 2008. The purchases are to be made on the open market through the TSX Venture Exchange. PI International Corp. is the brokerage firm conducting share purchases for cancellation under 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 period ended September 30, 2009, the Company acquired 206,500 common shares at an average cost of \$1.09 per share. Subsequent to September 30, 2009 the Company has acquired an additional 15,700 common shares at an average cost of \$1.23 per share.

Liquidity and Capital Resources

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

The Company had drawn \$11.6 million against its \$14.5 million credit facility at September 30, 2009. The Company's credit facility, reviewable semi-annually, is with a Canadian financial institution. Currently, advances bear interest at the bank's prime lending rate plus 1% or at prevailing bankers' acceptance rate plus an applicable bank fee. The loan is secured by all of the Company's assets. Principal repayments are required only if the borrowing base is exceeded. Subsequent to September 30, 2009 the Company's credit facility was increased to \$20 million and Ironhorse entered into an agreement to issue 2.5 million common shares on a flow through basis for gross proceeds of \$3.5 million.

The Company believes it can finance its planned 2009 capital expenditures from cash flow from operations and existing credit facilities. The priorities for the balance of 2009 include:

- Fulfilling our remaining exploration flow-through expenditure commitments which are approximately \$1.5 million by drilling wells in central Alberta and SW Saskatchewan prior to year end which will satisfy this commitment and
- Preliminary work with respect to placing the Pembina oil wells which were drilled in the first quarter of 2009 on production in the first half of 2010.

Ironhorse believes it can complete these activities with its current financial resources. In order to undertake these activities the Company may go beyond its self imposed guidelines with respect to debt to cash flow and debt utilization as a percentage of credit available limits temporarily. See "Impact of Current Economic Volatility and Uncertainty" discussed previously.

Ironhorse has 21,682,523 common shares and 2,106,500 stock options with a weighted average exercise price of \$1.38 per share outstanding as at November 17, 2009.

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 2008. Pursuant to the terms of financing, the Company is obligated to spend the \$3.5 million gross proceeds on qualifying Canadian exploration and development expenditures. As at September 30, 2009, Ironhorse's remaining obligation is to incur approximately \$1.5 million of Canadian exploration expenditures prior to December 31, 2009.

Subsequent to September 30, 2009 the Company entered into an agreement to issue up to an additional 2.5 million common shares on a flow through basis which will give rise to an obligation to incur up to \$3.5 million of qualifying Canadian exploration expenditures prior to December 31, 2010.

Financial Instruments

Ironhorse's financial instruments consist of cash, accounts receivable and accounts payable, accrued liabilities and bank loan payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments is their carrying value due to their short-term maturity and capacity for prompt liquidation.

IFRS Changeover Plan

The conversion to IFRS, effective January 1, 2011, represents a one-time implementation of multiple accounting standards which differ significantly from Canadian GAAP in respect of capitalized oil and gas costs. The scope of the conversion project extends beyond accounting issues as it will need to also address changes to information systems, internal controls over financial reporting and disclosure controls and procedures and related business issues such as terms of contracts affected by accounting measures. Ironhorse has initiated a conversion plan which will take the Company through the various decisions and milestones which need to be addressed in order to accomplish the conversion to IFRS.

During the third quarter of 2009 the Company continued to make significant progress with respect to the conversion process highlights are noted below:

- Financial Statement Preparation
 - The Company has elected to convert by way of "retrospective restatement" given our limited operating history and focused nature our operating areas.
 - Accounting policies have been selected and reviewed by third party experts.
 - Commenced restatement of prior year's results. Quantification of changes will be completed in the fourth quarter of 2009.
- Systems and Processes
 - Drafted new chart of accounts and mapped new accounts to existing chart of accounts.
 - Continue to enhance "in house expertise" by way of ongoing training, participation in IFRS educational seminars and engagement of experts.

Selected Quarterly Information

	Unit	2009			2008				2007
		Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial									
Revenue	\$m	1,858	2,298	3,053	3,427	4,355	6,120	4,063	2,227
Cash flow from operations	\$m	798	881	1,542	1,525	1,806	2,939	1,731	738
Per share – diluted	\$	0.04	0.04	0.07	0.07	0.09	0.14	0.09	0.04
Income (loss)	\$m	(511)	(653)	(18)	128	227	919	312	(263)
Per share – diluted	\$	(0.02)	(0.03)	0.00	0.00	0.01	0.05	0.02	(0.01)
Capital expenditures	\$m	384	1,017	5,994	2,842	366	1,416	5,942	1,836
Net debt	\$m	11,142	11,505	11,319	6,789	8,645	10,023	12,205	7,983
Total assets	\$m	34,438	35,478	36,543	32,199	31,070	32,600	32,098	25,271
Operational									
Production									
Natural gas	mcf/d	6,252	7,233	6,498	5,486	6,624	7,600	6,034	3,935
Light oil & NGLS	bbls/d	9	17	6	7	7	7	7	8
Total	boe/d	1,051	1,223	1,089	921	1,111	1,274	1,012	664
Average price									
Natural gas	\$/mcf	3.15	3.37	5.16	6.72	6.99	8.74	7.86	6.11
Light oil & NGLS	\$/bbl	57.54	59.47	53.72	54.41	114.82	103.61	102.39	74.11
Boe	\$/boe	19.22	20.85	31.11	40.41	42.61	52.80	47.41	36.47
Field Netback	\$/boe	12.20	12.49	19.91	24.37	24.95	29.28	23.50	18.56
Weighted average shares outstanding									
Basic	m	21,663	21,751	21,779	21,780	20,111	19,979	19,500	19,488
Diluted	m	21,698	21,751	21,779	21,906	20,489	20,376	19,509	20,013

The Company's operating results over the past eight quarters reflect the ongoing development of its shallow gas project in Shackleton, Saskatchewan. The Company has participated in the drilling of gas wells at Shackleton in the first quarter of each of the last three years, the number of producing gas wells has increased from 37 (19 net) in 2007 to 100 (50 net) in 2009. This has resulted in year over year increases in the Company's production which tends to peak in the spring of each year as the new gas wells are placed on production and subsequently decline throughout the year. Revenues, royalties, net income and cash flows realized in a particular quarter vary with gas prices. In the first quarter of 2009 Ironhorse participated in drilling two (0.4 net) oil wells in the Pembina area. These wells were completed and production tested in the second quarter. The Company is pursuing the tie-in of these wells with production expected to commence in the second half of 2010.

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.