

MANAGEMENT'S DISCUSSION and ANALYSIS

ADVISORIES

This Management's discussion and analysis ("MD&A"), prepared effective May 21, 2009 should be read in conjunction with the Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") unaudited financial statements for the three months ended March 31, 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)	Three Months Ended March 31	
	2009	2008
Cash provided by operating activities per Statements of Cash Flows	1,739	1,088
Changes in non-cash working capital	(197)	642
Cash flow from operations as defined above	1,542	1,730

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.

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:

- The expectation that the two (0.4 net) Pembina oil wells will be placed on production in the fourth quarter of 2009. These wells are initially expected to increase our net production by up to 200 boe per day and once we establish a pressure maintenance scheme and receive good production practice approval (“GPP”) they should increase our net production by up to 800 boe per day. Regulatory and/or operational delays could negatively impact the timing and production increases from this project.
- The expectation that the Company has sufficient financial resources to undertake and complete its remaining 2009 capital expenditure priorities including: the tie in of the Pembina oil wells; the establishment of pressure maintenance scheme at Pembina and fulfilling its remaining flow through expenditure obligations. This is subject to the risk and uncertainty of the Company’s \$14.5 million credit facility renewing at lower levels and cash flow from operations being lower than the expected. Projected oil and gas commodity prices and production rates could vary significantly from current estimates resulting in decreases in our credit facility and/or cash flow from operations.

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, the 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 March 31, 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 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 decreases 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. We believe the Company has sufficient financial resources in 2009 to undertake a \$10 to \$12 million capital program. In the first quarter Ironhorse incurred \$6 million of capital expenditures. Planned capital expenditures for the remainder of 2009 are estimated at \$4 to \$6 million and include:

- Complete and production test the Pembina oil wells, in the second quarter, at a net cost of approximately \$0.5 million,
- Installation of pipeline and associated equipment to place the two (0.4 net) Pembina oil wells on production in the fourth quarter of 2009 at an estimated net cost of \$2.0 million,
- Drill the water injection and water source wells at Pembina, after the existing oil wells are placed on production, necessary to establish a pressure maintenance scheme in order to obtain “good production practice” approval at an established net cost of \$1.0 million, and
- Fulfill our remaining flow-through share expenditure obligations, throughout the balance of the year, which are estimated at \$1.5 million exclusive of eligible costs to be incurred at Pembina.

The Company currently has a \$14.5 million credit facility which we expect will be renewed at current or slightly higher levels as a result of the drilling successes to date in 2009. Further declines in gas prices could negatively impact the amount of the credit facility available. At March 31, 2009 we had net debt of \$11.3 million, leaving \$3.2 million of borrowing capacity to finance capital expenditures during the balance of 2009. Management believes its current credit facility together with cash flow from operations will be sufficient to finance the remaining planned capital expenditures.

Cash flow from operations for 2009 is expected to be between \$4 and \$6 million. Actual results will vary depending on oil and gas commodity prices, production declines on our Shackleton gas wells and the timing for placing the Pembina wells on production. Our \$6 million estimate for cash flow from operations assumes production will average 1,150 boe per day with the Shackleton gas wells experiencing similar decline rates as wells drilled in prior years and the Pembina oil wells being placed on production in the fourth quarter. Gas prices are assumed to average \$5.00 per mcf for the year and oil prices in the fourth quarter of 2009 will average \$60 per bbl at the wellhead. The \$4 million estimate for cash flow assumes average production of 1,050 boe per day; gas prices average \$4.00 per mcf and no oil production from Pembina in the fourth quarter. Given that all the Shackleton gas wells were placed on production in the first quarter of 2009, we believe the greatest risks in our estimates for cash flow from operations stem from greater than expected declines from the new gas wells, delays in tying-in the Pembina oil wells and lower than expected gas prices. Management is continually reviewing its operations and making adjustments to its capital expenditures to accommodate differences between assumptions made and actual results.

First quarter 2009 overview

SELECTED INFORMATION	Three Months Ended		
	March 31, 2009	December 31, 2008	March 31, 2008
<i>Thousands except per share amounts</i>			
Financial			
Revenue	\$3,053	\$3,427	\$4,063
Royalties	822	1,098	1,669
Cash flow from operations	1,542	1,525	1,731
Net income (loss)	(18)	96	312
Net income (loss) per share – basic and diluted	0.00	0.00	0.02
Total assets	36,546	32,198	32,098
Capital expenditures	5,994	2,842	5,942
Net debt	\$11,319	\$6,789	\$12,205
Weighted average shares outstanding			
basic	21,779	21,780	19,500
fully diluted	21,779	21,906	19,509
Operations			
Production			
Gas – mcf/d	6,498	5,486	6034
Oil – bbl/d	6	7	7
Total – boe/d	1,089	921	1,012
Average sales price			
Gas - \$/mcf	5.16	6.72	7.29
Oil - \$/bbl	53.72	54.41	91.36
Boe - \$/boe	31.11	40.40	47.41
Royalty - \$/boe	8.38	13.63	18.12
Operating expenses - \$/boe	2.82	3.08	2.47
Field Netback - \$/boe	19.91	24.37	23.50
General & administrative expenses - \$/boe	3.44	4.78	3.16

During the first quarter of 2009, the Company drilled and placed on production 32 (16 net) gas wells in the Shackleton area bringing the total number of producing gas wells to 100 (50 net). Production from these wells peaked in March at 16 (8 net) mmcf per day which increased our net production to over 1,350 boe per day. Production for the second and third quarters of 2009 is expected to trend downwards due to normal declines. In the fourth quarter of 2009, we expect production to increase when the Pembina oil wells are placed on production. Year over year increases in production are expected to be offset by lower oil and gas commodity prices resulting in lower field netbacks and cash flow from operations.

During the first quarter of 2009 Ironhorse drilled two (0.4 net) Nisku oil wells in the Pembina, Alberta area. Both wells were completed and production tested after April 1, 2009 to take advantage of the changes to the crown royalties announced by the Alberta government. Work has begun to secure a pipeline right of way to place the wells on production. We expect these wells will be placed on production in the fourth quarter of 2009. These wells are initially expected to increase our net production by up to 200 boe per day and once we establish a pressure maintenance scheme they should increase our net production by up to 800 boe per day. These estimates of production rates are based on management's analysis of the well logs, flow test data and comparisons to analogous oil wells in the area. Actual production rates and the timing for placing the wells on production could be materially different due to factors beyond our control including regulatory approvals. The addition of these oil wells will provide Ironhorse with a more balanced gas/oil production mix.

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 have been developed on a drilling density of two gas wells per quarter section. We are evaluating the economics of 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 of this project would be significantly enhanced if one or more of the following were to occur: fall access as opposed to “winter only” drilling would significantly reduce drilling costs; higher gas prices; lower royalties; or some combination of all of the above.

NE British Columbia is our newest focus area. We plan to drill our first (net 0.5) well in the Bubbles area of NE British Columbia later this year.

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

Sales Volumes

		Three Months Ended March 31		
		2009	2008	% Change
Daily sales volumes				
Natural gas	<i>mcf/d</i>	6,498	6,034	8
Light oil & ngls	<i>bbls/d</i>	6	7	-
Total	<i>boe/d</i>	1,089	1,012	8

Sales volumes for the period ended March 31, 2009 averaged 1,089 boe per day, an increase of 8% from the 1,012 boe per day during the corresponding period in 2008. The increase in natural gas production is due to the first quarter drilling program which resulted in an additional 32 (16 net) gas wells being placed on production in the Shackleton area, bringing the total number of producing wells to 100 (50 net).

The Company estimates 2009 production will average 1,150 to 1,250 boe per day assuming the new Schackleton gas wells perform consistent with wells drilled in prior years and the Pembina oil wells are placed on production in the fourth quarter of 2009 at their initial production allowable rates. Actual results could differ significantly from these estimates due to factors beyond management's control including regulatory delays.

Marketing and Revenue

		Three Months Ended March 31		
		2009	2008	% Change
Benchmark				
Alberta Spot – Natural gas	\$/mcf	4.85	7.94	(39)
West Texas Intermediate - Oil	US\$/bbl	42.93	97.85	(56)
Edmonton Par - Oil	\$/bbl	49.75	97.80	(49)
Company Prices				
Natural gas price	\$/mcf	5.16	7.29	(29)
Light oil price	\$/bbl	53.72	102.39	(48)
Boe	\$/boe	31.11	47.41	(34)
Revenue				
Natural gas	\$m	3,020	4,005	(25)
Light oil & ngls	\$m	30	56	(46)
Other	\$m	3	2	50
Total	\$m	3,053	4,063	(25)

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. 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 early 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 first quarter 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 approximately \$0.65 per mcf higher than it would have been if all the gas had been sold at spot prices. 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.

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 March 31, 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 March 31, 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).

Sales revenues for the period ended March 31, 2009 decreased 25% to \$3.0 million from \$4.0 million in 2008 as a result of the lower natural gas prices.

Revenues for the first quarter were increased by \$0.4 million as a result of the winter heating season sales contracts noted above which expired on March 31, 2009.

Royalties

		Three Months Ended March 31		
		2009	2008	% Change
Royalties	\$m	822	1,669	(51)
Per boe	\$	8.38	18.12	(54)
Royalty rate	%	26.9	41.1	(34)

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 and a minimum 15% gross overriding royalty. The lessor royalty is equivalent to Saskatchewan crown royalty. Royalty rates vary based on a number of factors including commodity pricing and production rates. Royalties are calculated on sales revenues based on daily spot prices and without reference to contracted gas price differences.

For the period ended March 31, 2009 royalties decreased 51% to \$0.8 million (\$8.38 per boe) compared to \$1.7 million (\$18.12 per boe) in 2008. The decrease in royalties for the period is attributable to lower natural gas prices. The lower royalty rate as a percentage of revenue is due to the positive impact of the contracted gas price adjustment which is excluded from the royalty calculation.

Royalties for the balance of 2009 are expected to be approximately 30%, depending on gas prices, until such time as the Pembina oil wells are placed on production. The first 50,000 barrels of gross production from each of the Pembina oil wells is eligible for the reduced royalty rate of 5% announced by the Alberta provincial government on March 2, 2009. That announcement also included drilling incentives in the form of royalty credits for wells drilled from April 1, 2009 to April 1, 2010. To the extent that the Company fulfills its outstanding flow-through expenditure commitments by drilling wells in Alberta, it will earn additional royalty relief.

Operating Expenses

		Three Months Ended March 31		
		2009	2008	% Change
Operating expenses	\$m	277	228	21
Per boe	\$	2.82	2.47	14

Operating expenses were \$0.3 million, or \$2.82 per boe, for the quarter ended March 31, 2009 compared to \$0.2 million or \$2.47 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 the infrastructure necessary to produce the gas at Shackleton.

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

		Three Months Ended March 31		
		2009	2008	% Change
G&A	\$m	342	291	18
SBC	\$m	83	88	(5)
Per boe				
G&A	\$	3.49	2.97	18
SBC	\$	0.85	0.96	(11)

For the quarter ended March 31, 2009, G&A increased 18% primarily due to higher management fees and additional staffing costs.

Management fees charged to G&A are based on the Company’s production, the fee increased from \$1.75 per producing boe to \$2.35 per boe effective April 1, 2008 with an inflation adjustment to be made effective January 1st of each year thereafter. The rate for fiscal 2009 is \$2.43 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 \$3.50 and \$1.00 per boe respectively for the balance of 2009.

Interest Expense

		Three Months Ended March 31		
		2009	2008	% Change
Interest expense	\$m	64	127	(50)
Per boe				
	\$	0.65	1.38	(53)

Interest expense for the three months ended March 31, 2009 decreased 50% due to lower interest rates.

The Company expects interest expense in 2009 will remain at current or slightly higher levels as debt and interest rates are expected to remain at current levels throughout the year.

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

		Three Months Ended March 31		
		2009	2008	% Change
DD&A	\$m	1,453	1,180	23
Per boe				
	\$	14.82	12.80	16

The DD&A provision for the three months ended March 31, 2009 increased 23% from \$1.2 million to \$1.5 million. The increase is due to increased production volumes and higher capital base in 2009 over 2008. On a per boe basis, the DD&A ratio increased by 16% 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 subject to adjustments applicable to the oil discoveries made in the Pembina, Alberta area. The Company will have a better indication of the impact of the Pembina oil discovery in the second quarter of 2009 when we receive an updated independent evaluation of our reserves.

Income Taxes

		Three Months Ended March 31		
		2009	2008	% Change
Income Taxes	\$m	29	167	(83)

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

Field Netback

		Three Months Ended March 31		
<i>\$ Per boe</i>		2009	2008	% Change
Revenue		31.14	44.09	(29)
Less: Royalties		8.38	18.12	(54)
Operating expenses		2.82	2.47	14
Field netback		19.94	23.50	(15)

Ironhorse's field netback per boe for the period ended March 31, 2009 decreased 15% to \$19.94 from \$23.50 per boe for the corresponding 2008 period. 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 in 2009 are expected to trend lower due to continuing declines in oil and gas commodity prices.

Cash Flow from Operations and Net Income (Loss)

		Three Months Ended March 31		
		2009	2008	% Change
Cash flow from operations	\$m	1,542	1,731	(11)
Basic and diluted per share	\$	0.07	0.09	(22)
Net Income (loss)	\$m	(18)	312	(106)
Basic and diluted per share	\$	0.00	0.02	(100)
Weighted average shares outstanding				
Basic	m	21,779	19,500	12
Diluted	m	21,779	19,509	12

Cash flow from operations for the period ended March 31, 2009 decreased 11% to \$1.5 million from \$1.7 million in 2008. The decrease in cash flow from operations and net income was primarily due to lower natural gas prices.

Capital Expenditures

Expenditure category	Three Months Ended March 31			
	\$m	2009	2008	% Change
Land		265	2	-
Seismic		104	29	259
Drilling and completions		5,445	4,804	15
Facilities, pipelines and equipment		(78)	1,047	(107)
G&A		258	60	330
		5,994	5,942	1

Area	Three Months Ended March 31			
	\$m	2009	2008	% Change
Saskatchewan		4,323	5,840	(26)
NE British Columbia		48	-	100
Alberta		1,365	42	32
G&A		258	60	330
		5,994	5,942	1

During the first quarter, Ironhorse participated in drilling 32 (16 net) wells in Shackleton and 2 (0.4 net) wells in Pembina as compared to drilling 31 (15 net) wells in Shackleton in the same period last year. Cost savings were achieved in drilling both the Shackleton and Pembina wells due to price competition in the service sector. In addition operational efficiencies due to economies of scale resulted in additional cost savings in the drilling, completing and tying-in the Shackleton wells.

Capital expenditures for the balance of the year are expected to be \$4 to \$6 million and will vary with the exact timing of the construction and installation of the pipeline and associated well facilities necessary to place the Pembina oil wells on production. Planned expenditures for the balance of 2009 include tying-in the Pembina oil wells, drilling the water injection and water source service wells necessary for pressure maintenance at Pembina and fulfilling remaining flow through expenditure commitments.

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 March 31		
		2009	2008	% Change
Production fees	\$m	159	135	18
Capital fees	\$m	200	60	233
Management fees	\$m	355	190	87

Normal Course Issuer Bid

Pursuant to the terms of the current 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 March 31, 2009, the Company acquired 104,700 common shares at an average cost of \$1.25 per share. Subsequent to March 31, 2009 the Company has acquired an additional 26,300 common shares at an average cost of \$1.06 per share.

Liquidity and Capital Resources

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

The Company had drawn \$10.7 million against its \$14.5 million credit facility at March 31, 2009. The Company's credit facility, reviewable semi-annually, is with a Canadian chartered bank. 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. Ironhorse expects to receive a favourable annual review of its credit facility as increases in the Company's proved producing reserves should more than offset lower commodity prices.

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:

- Placing the Pembina oil wells which were drilled in the first quarter of 2009 on production in the fourth quarter of 2009 and
- Fulfilling our remaining exploration flow-through expenditure commitments which are approximately \$2 million

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 debt to cash flow and debt utilization as a percentage of credit available limits temporarily. However if natural gas prices were to decrease significantly from current levels for a sustained period of time, this may impact the timing of the above activities. See "Impact of Current Economic Volatility and Uncertainty" discussed previously.

Ironhorse has 21,773,743 common shares and 2,161,500 stock options with a weighted average exercise price of \$1.47 per share outstanding as at May 21, 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 March 31, 2009, Ironhorse's remaining obligation is to incur approximately \$2 million of Canadian exploration expenditures prior to December 31, 2009.

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. 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 over the next two years to ensure an orderly conversion to IFRS. During the first quarter the Company reviewed the various accounting policies alternatives and selected the policies it will adopt under IFRS. The Company expects to continue working on a revised chart of accounts for implementation of an IFRS accounting system in January 2010 together with a methodology of reconciling its accounting system IFRS balances back to Canadian GAAP throughout 2010.

Selected Quarterly Information

	Unit	2009			2008			2007		
		Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Financial										
Revenue	\$m	3,053	3,427	4,355	6,120	4,063	2,227	2,169	3,121	
Cash flow from operations	\$m	1,542	1,525	1,806	2,939	1,731	738	894	1,325	
Per share – basic	\$	0.07	0.07	0.09	0.15	0.09	0.04	0.05	0.08	
Per share – diluted	\$	0.07	0.07	0.09	0.14	0.09	0.04	0.04	0.07	
Income (loss)	\$m	18	128	227	919	312	(263)	(253)	(115)	
Per share – basic	\$	0.00	0.00	0.01	0.05	0.02	(0.01)	(0.01)	(0.01)	
Per share – diluted	\$	0.00	0.00	0.01	0.05	0.02	(0.01)	(0.01)	(0.01)	
Capital expenditures	\$m	5,994	2,842	366	1,416	5,942	1,836	244	369	
Net debt	\$m	11,319	6,789	8,645	10,023	12,205	7,983	7,231	7,333	
Total assets	\$m	36,543	32,199	31,070	32,600	32,098	25,271	26,016	27,108	
Operational										
Production										
Natural gas	mcf/d	6,498	5,486	6,624	7,600	6,034	3,935	4,428	5,030	
Light oil & Ngls	bbls/d	6	7	7	7	7	8	10	6	
Total	boe/d	1,089	921	1,111	1,143	1,012	664	748	844	
Average price										
Natural gas	\$/mcf	5.16	6.72	6.99	8.74	7.86	6.11	5.16	6.74	
Light oil & Ngls	\$/bbl	53.72	54.41	114.82	103.61	102.39	74.11	73.68	68.84	
Boe	\$/boe	31.11	40.41	42.61	52.80	47.41	36.47	31.53	40.62	
Field Netback	\$/boe	19.91	24.37	24.95	29.28	23.50	18.56	18.24	22.11	
Weighted average shares outstanding										
Basic	m	21,779	21,780	20,111	19,979	19,500	19,488	19,557	19,705	
Diluted	m	21,779	21,906	20,489	20,376	19,509	20,013	20,112	20,316	

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.

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.