

MANAGEMENT'S DISCUSSION and ANALYSIS

ADVISORIES

This Management's discussion and analysis ("MD&A"), prepared effective March 29, 2010 should be read in conjunction with the Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") audited financial statements for the years ended December 31, 2009 and 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 discussion and analysis is the Canadian dollar, unless otherwise stated.

Non-GAAP Measures - Ironhorse evaluates performance based on net income, funds from operations, funds from operations per share, net debt and field netback. Funds from operations, funds from operations per share, net debt and field netback are not measurements defined by GAAP, but are financial terms commonly used in the oil and gas industry.

Funds from Operations are labelled on the Statement of Cash Flows and may not be comparable to other companies. Ironhorse calculates funds from operations as cash flow from operating activities prior to changes in non-cash working capital, and per share amounts are determined using the same 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 funds necessary to finance future capital investments.

Field Netback - Ironhorse also uses field netback as a key performance indicator. Field netback does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable with the calculation of similar measures by other companies. Field netback is determined by deducting royalties and operating expenses from petroleum and natural gas sales revenue. The Company considers field netback a key measure in assessing the efficiency of its oil and gas assets.

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

Funds from operations and field netback are not intended to represent operating profits, nor should they be viewed as an alternative to other measures of financial performance calculated in accordance with GAAP.

Boe Conversion - Certain natural gas volumes have been converted to barrels of oil equivalent ("boe"), whereby six thousand cubic feet ("mcf") of natural gas is equal to one barrel ("bbl") of oil, unless otherwise stated. This conversion ratio is based on an energy equivalent conversion applicable at the burner tip and does not represent a value equivalency at the wellhead.

Forward-Looking Information - Certain information regarding Ironhorse set forth in this document, including management's assessment of the Company's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Ironhorse's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other producers, the lack of or availability of qualified technical personnel or management, stock market volatility and ability to access capital from internal and external sources. Ironhorse's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact it would have on Ironhorse. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management.

Examples of forward-looking statements in this MD&A include, but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on assumptions which may prove to be incorrect:

- The expectation that the two (0.4 net) Pembina oil wells will be placed on production on or before December 2010. These wells are expected to increase our net production by 600 - 800 boe per day. Regulatory approvals and/or operational delays could negatively impact the timing and production increases from this project.
- The expectation that the two (1.1 net) Dawson, Alberta oil wells will receive good production practice approval and will be allowed to produce at unrestricted rates. These wells were drilled earlier this year and have been on production for less than a month.

Risk Factors

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

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

The Company's principal risks include finding and developing economic hydrocarbon reserves efficiently and being able to fund the capital program. The Corporation's need for capital is both short-term and long-term in nature. Short-term working capital will be required to finance accounts receivable, drilling deposits and other similar short-term assets, while the acquisition and development of oil and natural gas properties requires large amounts of long-term capital. The Company anticipates that future capital requirements will be funded through a combination of funds from operations, debt and/or equity financing. There is no assurance that debt and equity financing will be available on terms acceptable to the Company to meet its capital requirements. If any components of the Company's business plan are missing, the Company may not be able to execute the entire business plan.

Although the Company has no set policy concerning derivative financial instruments, the management of the Company may use derivative financial instruments to reduce corporate risk in certain situations.

Overview

Ironhorse is a Canadian-based oil and gas company whose shares trade on the TSX Venture Exchange under the symbol "IOG". Ironhorse's business plan is value creation through a combination of low risk development drilling and high impact exploration. The Company's principal oil and gas properties are listed below.

Shackleton, Saskatchewan

The Company has a 50% working interest in 100 (50 net) gas wells which produced an average of 1,060 boe per day in 2009 representing approximately 98% of the Company's 2009 production. Ironhorse is using the cash flow from this property together with its available credit facilities to fund exploration and development activities at its other properties. The Company does not plan to undertake any further development activities on this property in 2010.

Pembina, Alberta

In 2009 the Company participated in drilling 2 (0.4 net) oil wells in Pembina, Alberta which resulted in a significant Nisku oil discovery these oil wells are expected to increase Ironhorse's net production by 600 - 800 boe per day by the end of 2010. The Pembina oil wells require a pipeline to be constructed before the wells can be placed on production in order to transport and process the associated sour natural gas that will be produced with the oil. Ironhorse and its partners have identified other seismic anomalies on

Company lands in the area that will be drilled once the infrastructure noted above is installed in the Pembina area.

Dawson, Alberta

The Company spudded its first exploration well in the Dawson, Alberta area in December 2009 and a second well in February of 2010. These two oil wells have been drilled and completed and were placed on production at a combined rate of 700 (385 net) bbl per day. Ironhorse plans to install a flow line from the oil wells to a central oil battery later this year to reduce operating costs and avoid production disruptions due to seasonal access issues. The Company has submitted an application to the ERCB requesting the two (1.1 net) oil wells be granted good production practice ("GPP") status. GPP approval would allow Ironhorse to produce the two (1.1 net) Dawson oil wells at optimal rates using good engineering practice.

Shaunavon, Saskatchewan

In the first quarter of 2010, Ironhorse drilled, completed and production tested its first (0.8 net) horizontal oil well in the Shaunavon, Saskatchewan area. The horizontal oil well will be permanently placed on production after "spring break up" when road bans are lifted and the surface location becomes accessible. The Company is evaluating further development plans for this area.

Jedney, British Columbia

In the first quarter of 2010, Ironhorse drilled one (0.8 net) vertical well to evaluate multiple prospective gas zones. The Company has fractured stimulated four prospective gas zones and is planning to construct a pipeline this summer to place the well on production. Ironhorse is evaluating further development plans for this area.

Fourth quarter 2009 overview

In December 2009 Ironhorse undertook preparations with respect to its winter drilling program which resulted in the drilling of wells at Shaunavon, Saskatchewan, Dawson, Alberta and Jedney, British Columbia.

For the three months ended December 31, 2009, production averaged 937 boe per day, a 2% increase from the 921 boe per day in the corresponding period of 2008. The Company's 2009 production was predominately gas weighted. Year over year production increases resulted from the 2008/2009 winter drilling program at Shackleton, Saskatchewan, peaking in the second quarter of 2009 at an average rate of 1,225 boe per day and then decreasing through out 2009 due to normal declines.

Lower gas prices during the quarter ended December 31, 2009 resulted in funds from operations of \$0.7 million versus \$1.5 million in fourth quarter of 2008.

On November 19, 2009 Ironhorse closed a private placement of 2.5 million common shares on a flow through basis at a price of \$1.40 per share for gross proceeds of \$3.5 million. The proceeds were used to fund, in part, the Company's 2009/2010 winter drilling program. During the fourth quarter of 2009, the Company incurred capital expenditures of \$2.6 million related to the 2009/2010 winter drilling program. The result of these activities was net debt decreased during the fourth quarter by \$1.2 million to \$9.9 million at December 31, 2009.

Outlook

The Company completed the primary development of its Shackleton, Saskatchewan shallow gas property in 2009. Ironhorse now has 100 (50 net) producing wells on a drilling density of one gas well per quarter section. The Company is evaluating a development program which would increase the drilling density to two wells per quarter section. In order for this development program to be economic we require a combination of higher gas prices, lower royalties and fall access in order to reduce drilling cost. The Company is engaged in negotiations with respect to lowering the royalties and gaining access to the property in the Fall.

During the first quarter of 2009 Ironhorse drilled two (0.4 net) Nisku oil wells in the Pembina, Alberta area. Both oil wells were completed in April 2009. The oil wells are capable of producing light oil and associated sour gas at prolific rates. We estimate that these two (0.4 net) oil wells are capable of increasing Ironhorse's net production by 600 - 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 wells in the area. In order to place these oil wells on production at their full capability a pipeline must be constructed; well site equipment needs to be installed and service wells need to be drilled to maximize oil and gas recoveries. The Company and its partners are investigating various pipeline routes and we expect to make application for regulatory approval for one or more of the pipeline routes together with drilling the required service wells in the second quarter of 2010. Once we receive regulatory approval to begin construction of the pipeline and drill the service wells we expect it will take 90 days to construct the pipeline and drill the service wells depending on the various logistical issues. Actual production rates and the timing for placing the wells on production could be materially different from our current estimates due to factors beyond our control due to the requirement for regulatory and surface land owner approvals.

The 2009/2010 winter drilling program has yielded positive results which will increase oil production and give the Company a more balanced gas to oil production mix. Ironhorse expects to exit the first quarter of 2010 producing over 1,100 boe per day with a 70:30 gas to oil production mix. Placing the Pembina oil wells on production later this year together with further drilling success will allow the Company to achieve a 50:50 gas to oil mix by year end.

SELECTED INFORMATION	Years Ended December 31		
	2009	2008	2007
Thousands except per share amounts			
Financial			
Revenue	9,392	17,965	9,041
Royalties	2,387	6,883	3,410
Funds from operations	3,874	8,001	3,529
Net income (loss)	(1,495)	1,586	(812)
Net income (loss) per share – basic and diluted	(0.06)	0.08	(0.04)
Total assets	36,491	32,199	25,843
Capital expenditures	10,004	10,556	12,406
Net debt	9,909	6,789	7,983
Weighted average shares outstanding			
- basic	22,042	20,225	19,411
- fully diluted	22,042	20,352	19,411
Operations			
Daily production			
Gas – mcf per day	6,363	6,434	3,977
Light oil & ngl – bbl per day	11	7	7
Total – boe per day	1,071	1,079	670
Average sales price			
Gas - \$/mcf	3.94	7.52	6.09
Light oil & ngl - \$/bbl	60.04	67.00	71.06
Royalty - \$/boe	6.10	17.42	13.95
Operating expenses - \$/boe	3.27	2.29	3.32
Field Netback - \$/boe	14.65	25.74	19.68
General & administrative expenses - \$/boe	3.60	3.44	3.64

OPERATIONS

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

In 2009 our primary producing property was Shackleton, Saskatchewan. Shackleton is a shallow gas development project. We have drilled and placed on production 100 (50 net) gas wells over the past four winters. The Company does not expect to undertake any further drilling activity on this property in 2010.

As discussed above we participated in a significant oil discovery in the Pembina, Alberta area in 2009. This property requires construction of a pipeline, drilling three service wells and installation of facilities in order to be placed on production. The Company's net share of these capital expenditures is estimated at \$4 million and scheduled for the fall of 2010. The Company has secured a development credit facility from its financial institution to finance most of these expenditures.

Results from the 2009/2010 winter drilling program at Jedney and Shaunavon are being evaluated and plans for additional activity in these areas will be ongoing through out 2010.

Sales Volumes

	Three Months Ended December 31			Year Ended December 31			
	2009	2008	% Change	2009	2008	% Change	
Daily sales volumes							
Natural gas	<i>mcf</i>	5,560	5,486	1	6,363	6,434	(1)
Light oil & ngls	<i>bbls</i>	10	7	41	11	7	55
Total	<i>boe</i>	937	921	2	1,071	1,079	(1)

Sales volumes for the year ended December 31, 2009 averaged 1,071 boe per day, a decrease of 1% from the 1,079 boe per day during the corresponding period in 2008. The modest change in the Company's production profile is attributable to increases in production from the 32 (16 net) gas wells drilled in the winter of 2008/2009 which was offset by the natural declines in production from wells drilled in previous years.

Ironhorse expects production at its Shackleton property will experience annual declines of approximately 25% over the next couple of years. Oil wells drilled this winter are expected to offset these declines in gas production when placed on production in March. Ironhorse expects to exit the first quarter of 2010 with production in excess of 1,100 boe per day with an 70:30 gas to oil mix further increases in production will occur when the Pembina oil wells are placed on production.

Marketing and Revenue

Commodity pricing	Three months ended December 31			Year Ended December 31			
		2009	2008	% Change	2009	2008	% Change
Benchmark							
Alberta Spot – Natural gas	\$/mcf	4.59	6.77	(32)	4.00	8.18	(51)
West Texas Intermediate - Oil	US\$/bbl	76.04	58.45	30	61.60	99.20	(38)
Edmonton Par - Oil	\$/bbl	77.06	65.59	17	66.28	102.95	(36)
Company Prices							
Natural gas price	\$/mcf	4.15	6.72	(38)	3.94	7.52	(48)
Light oil and ngl's price	\$/bbl	66.91	54.41	23	60.04	92.47	(35)
Boe	\$/boe	25.35	40.40	(37)	24.02	45.45	(47)
Revenue							
Natural gas	\$m	2,120	3,390	(37)	9,146	17,714	(48)
Light oil & ngl's	\$m	61	34	79	238	241	(1)
Other	\$m	2	3	(33)	8	10	(20)
Total	\$m	2,183	3,427	(36)	9,392	17,965	(48)

The Company's Shackleton gas production is marketed by Grizzly Resources Ltd. (see "related party" section of MD&A) through the marketing arm of a large international oil and gas company. In 2009 Ironhorse's gas received the Alberta gas spot price plus \$0.02 per gigajoule ("GJ") less a transportation charge of approximately \$0.13 per GJ. Alberta spot gas prices are based on Natural Gas Exchange prices at the AECO Hub. Natural gas pricing tends to be volatile and is affected by supply and demand, storage levels, weather conditions and fuel switching to alternative sources of energy. Alberta spot natural gas prices decreased 51% in 2009 compared to 2008. Gas prices peaked in the second quarter of 2009 and have generally drifted down throughout the balance of 2009. During 2009 approximately 75% of Ironhorse's natural gas production was sold on the spot market and 25% was sold at contracted prices. As a result of the contracted pricing agreements Ironhorse's realized gas price was approximately \$0.34 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 lower than the average benchmark price due to the lower heat content per mcf for 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 funds from operations resulting from changes in commodity prices, thereby ensuring our ability to complete the planned capital investment program.

As at December 31, 2009 and to date in the first quarter of 2010 all of the Company's production was being marketed at spot prices.

Sales revenues for the year ended December 31, 2009 were 48% lower than the prior year, a reduction of \$8.6 million, as a result of decrease in the price of natural gas.

Sales revenues for the quarter ended December 31, 2009 were \$2.2 million, a decrease of 36% from the \$3.4 million in the corresponding period in 2008 due to lower gas prices.

Sales revenues in 2010 are expected to be significantly higher as a result of oil production from the new oil wells drilled in the first quarter of 2010.

Royalties

		Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Royalties	\$m	567	1,098	(48)	2,387	6,883	(65)
Royalties per boe	\$	6.58	12.95	(49)	6.10	17.42	(65)
Royalty rate	%	25.97	32.07	(19)	25.42	38.34	(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 gross overriding royalty. The lessor royalty is equivalent to Saskatchewan crown royalty and the gross overriding royalty is a sliding scale minimum 15%. Royalty rates vary based on a number of factors including commodity and reference pricing and production rates. Royalties are calculated on sales revenues based on daily spot prices and without reference to fixed price gas price contract adjustments.

For the year ended December 31, 2009 royalties decreased 65% to \$2.4 million (\$6.58 per boe) compared to \$6.9 million (\$17.42 per boe) in 2008. The decrease in royalties for the period is attributable to lower natural gas prices. The lower royalty rate per boe is due to lower gas prices and the positive impact of the fixed price gas contracts which increased revenues but is excluded for purposes of calculating royalties.

Royalties for the fourth quarter of 2009 decreased 48% to \$0.6 million (\$6.58 per boe) compared to \$1.1 million (\$12.95 per boe) for 2008. The royalty rate during the fourth quarter was 26% of sales compared to 32% in the same period of 2008. The decrease in royalties paid during the quarter was due to lower natural gas prices.

The royalty rate for 2010 is expected to trend lower as the new wells drilled in 2010 will be eligible for various royalty holiday programs.

Operating Expenses

		Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Operating expenses	\$m	397	261	52	1,277	903	41
Per boe	\$	4.61	3.08	50	3.27	2.29	43

Operating expenses were \$0.4 million, or \$4.61 per boe, for the quarter ended December 31, 2009, 52% higher than the same period last year with the \$0.3 million or \$3.08 per boe, during the comparable period of 2008. Operating costs in the fourth quarter of 2009 were higher due to annual lease rentals payments of \$80,000 and a provincial sales tax adjustment of \$40,000.

Operating expenses for the year ended December 31, 2009 increased 41% to \$1.3 million (\$3.27 per boe) from \$0.9 million (\$2.29 per boe) during the corresponding period in 2008. The higher operating costs are attributable to an increase in the producing well count at Shackleton from 68 (34 net) in 2008 to 100 (50 net) in 2009.

Operating expenses in 2010 are expected to trend higher as the Company expands its production base into other areas where Ironhorse will be utilizing third party facilities.

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

		Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
G&A	\$m	340	405	(16)	1,407	1,356	4
SBC	\$m	56	86	(35)	316	514	(39)
Per boe:							
G&A	\$	3.95	4.78	(17)	3.60	3.44	5
SBC	\$	0.65	1.01	(36)	0.81	1.30	(38)

For the quarter ended December 31, 2009, G&A decreased 16% from \$0.4 million to \$0.3 million as third party professional fees were slightly lower than the same period in the previous year.

For the year ended December 31, 2009 G&A increased 4% consistent with the increase in the management fee per boe. Management fees charged to G&A are based on the Company’s production profile, the management fee per boe increased from \$2.35 per boe in 2008 to \$2.43 per boe in 2009.

SBC decreased by 35% in the current quarter as compared to the corresponding quarter in 2008 with an overall decrease of 39% for the year ended December 31, 2009 as compared with 2008. The decrease in 2009 is the result of fewer options being granted in 2009 as compared to 2008.

G&A and SBC per boe are expected to remain at these levels in 2010.

Interest Expense

		Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Interest expense	\$m	227	127	79	440	544	(19)
Per boe	\$	2.63	1.50	76	1.13	1.38	(18)

Interest expense for the year ended December 31, 2009 was \$0.4 million compared to \$0.5 million for 2008. Lower interest rates were offset by higher debt levels and one time fees and expenses associated with switching from one financial institution to another.

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

The Company expects its debt levels to increase in 2010 and interest expense to increase accordingly.

Depletion, Depreciation and Accretion

		Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Depletion, depreciation and accretion	\$m	1,051	1,406	(25)	5,547	5,507	1
Per boe	\$	12.20	16.59	(26)	14.19	13.94	2

For the year ended December 31, 2009, depletion, depreciation and accretion (“DD&A”) increased 1% from \$5.5 million in 2008 to \$5.5 million in 2009 the charge per boe also increased slightly from \$13.94 to \$14.19. The small changes in the DD&A year over year are consistent with the changes in production and the increase in proven reserves in relation to capital costs incurred by the Company.

Income Taxes

Future income taxes for the year ended December 31, 2009 were a recovery of \$0.5 million compared to a provision of \$0.7 million for 2008. The change is consistent with the transition from income before taxes to a loss.

At December 31, 2009, the Company had estimated resource tax pools and tax losses of approximately \$24 million. Ironhorse does not expect to be taxable in the next two years, given the forecasted level of production, current commodity prices and capital expenditures.

As at December 31, 2009 Ironhorse had \$3.0 million of Canadian exploration expenditures to be incurred prior to December 31, 2010, pursuant to a 2009 flow through share offering. Ironhorse incurred sufficient qualifying Canadian exploration expenditures in the first quarter of 2010 to satisfy this requirement.

Field Netback

<i>\$ Per boe</i>	Three Months Ended December 31			Year Ended December 31		
	2009	2008	% Change	2009	2008	% Change
Revenue	25.34	40.40	(37)	24.02	45.45	(47)
Less: Royalties	6.58	12.95	(49)	6.10	17.42	(65)
Operating expenses	4.61	3.08	50	3.27	2.29	43
Field netback	14.15	24.37	(42)	14.65	25.74	(43)

Ironhorse’s field netback per boe for the year ended December 31, 2009 decreased 43% to \$14.65 from \$25.74 per boe.

For the quarter ended December 31 the field netback decreased 42% from \$24.37 in 2008 to \$14.15 in 2009.

The decrease in field netbacks was due to significantly lower gas prices and slightly higher operating costs.

Field netbacks per boe in 2010 are expected to be significantly higher as the company’s production profile should have a greater oil weighting.

Funds from Operations and Earnings (Loss)

		Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Funds from operations	\$m	653	1,525	(57)	3,874	8,001	(52)
Basic per share	\$	0.03	0.07	(57)	0.18	0.40	(55)
Diluted per share	\$	0.03	0.07	(57)	0.18	0.39	(54)
Income (loss)	\$m	(313)	128	(345)	(1,495)	1,586	(194)
Basic and diluted per share	\$	(0.01)	-	-	(0.06)	0.08	(175)
Weighted average shares outstanding							
Basic	m	22,858	21,779	5	22,042	20,225	9
Diluted	m	22,897	21,906	5	22,042	20,352	8

Funds from operations for the year ended December 31, 2009 decreased 52% to \$3.9 million from \$8.0 million in 2008.

Funds from operations for the three months ended December 31, 2009 decreased 57% to \$0.7 million from \$1.5 million in 2008.

The decrease in funds from operations for both periods was due principally to lower natural gas prices.

Funds from operations in 2010 are expected to increase when the oil wells drilled and completed in the Dawson area in the first quarter of 2010 are placed on production in March.

Capital Expenditures

Expenditure category	\$m	Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Land		200	230	(13)	720	1,434	(50)
Seismic		81	49	65	252	144	75
Drilling and completions		2,219	2,536	(13)	8,674	8,831	(2)
G&A		109	27	304	358	157	128
		2,609	2,842	(8)	10,004	10,566	(5)

Area	\$m	Three Months Ended December 31			Year Ended December 31		
		2009	2008	% Change	2009	2008	% Change
Saskatchewan		485	2,302	(79)	5,076	9,419	(46)
NE British Columbia		1,244	341	265	1,294	710	82
Alberta		771	172	348	3,276	280	1070
G&A		109	27	303	358	157	128
		2,609	2,842	(8)	10,004	10,566	(5)

Capital expenditures decreased 5% from \$10.6 million in 2008 to \$10.0 million in 2009 as a result of the Company spending less in the Shackleton area which was offset by expenditures at Pembina, Dawson, Jedney and Shaunavon.

In Saskatchewan at Shackleton the company completed the primary development of the property with the drilling of 32 (16 net) gas wells in 2009 bringing the total number of producing wells to 100 (50 net) gas wells. Ironhorse does not plan to undertake any drilling in 2010 at Shackleton.

In NE, British Columbia at Jedney the Company commenced drilling its first (0.8 net) gas well in late December 2009; drilling and completion activities continued through out the first quarter of 2010. The Company plans to construct a pipeline in the summer of 2010 to place this well on production.

In Alberta the Company drilled and completed two (0.4 net) oil wells in the Pembina area in the first quarter of 2009 these wells are expected to be placed on production in the fourth quarter of 2010. Ironhorse also drilled its first Dawson oil well in December of 2009. A second oil well was drilled in the first quarter of 2010. Both Dawson (1.1 net) oil wells were placed on production in March at a combined rate of 700 (385 net) bopd. The Company plans to install a flow line from the oil wells to a central battery in 2010.

Ironhorse plans to undertake up to a \$20 million capital spending program in 2010 which will be financed through a combination of funds from operations and proceeds from issuing equity together with draws on credit facilities.

Related Party Transactions

Ironhorse is party to a management services agreement with Grizzly Resources Ltd. (“GRL”) a company related by virtue of common management. Pursuant to the terms of the agreement GRL 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. Effective January 1 2009, the fee per boe was increased to \$2.43 from \$2.35 per boe in 2008. The amount charged is reduced by all monthly “well operating overhead” charges. The fee on capital expenditures is capitalized to property and equipment. The capital fee was increased to 4.13 percent from 4 percent of the capital expenditures effective January 1 2009, and is reduced by all “capital overhead” charges which flow through the joint interest billings. Both the operating fee per boe and the capital fee as a percentage of expenditures will remain unchanged in 2010.

		Year Ended December 31	
		2009	2008
Production fees	\$m	762	729
Capital fees	\$m	358	156
Management fees	\$m	1,120	885

Normal Course Issuer Bid

On December 1, 2008 the Company reactivated its program to purchase for cancellation its common shares from time to time in accordance with the normal course issuer bid procedures under Canadian securities law.

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, 2009. The purchases are to be made on the open market through the TSX Venture Exchange. PI International Corp. is the brokerage firm conducting the normal course issuer bid on behalf of the Company.

Ironhorse believes that the purchase of its common shares will create shareholder value as recent market prices for its common shares do not always reflect the underlying value of its oil and gas reserves. To the extent that the Company is able to purchase shares on the open market for cancellation there is a proportionate increase in the value attributable to remaining outstanding common shares.

During the year ended December 31, 2009, the Company acquired 231,800 common shares at an average cost of \$1.10 per share. To date in 2010, the Company has acquired 23,400 common shares at an average cost of \$1.17 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 issuing additional share equity.

The Company had net debt of \$9.9 million as compared to its \$20.0 million credit facility at December 31, 2009. The Company's credit facility, reviewable annually, is with a Canadian financial institution. Advances bear interest at the institution's prime lending rate plus 2.50%. 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 review of its credit facility as oil and gas discoveries made this past winter should more than offset declines to our existing producing reserves base.

The Company plans to finance its planned 2010 capital expenditures from funds from operations, existing credit facilities and issuing common shares from treasury. The priorities for 2010 include:

- Drilling completing and placing on production
 - 2 (1.1 net) oil wells at Dawson, Alberta;
 - 1 (0.8 net) oil well at Shaunavon, Saskatchewan;
 - 1 (0.8 net) gas well at Jedney, British Columbia
- Placing the two (0.4 net) Pembina, Alberta oil wells which were drilled in the first quarter of 2009 on production in the fourth quarter of 2010 and
- Further evaluation of our Shaunavon, Saskatchewan and Jedney, British Columbia projects.

Ironhorse believes it can complete these activities with its current financial resources and the gross proceeds from the financing scheduled to close April 2010. However if commodity prices were to decrease significantly from current levels for a sustained period of time, this may impact the timing of the above activities.

Ironhorse has 24,162,681 common shares and 2,262,068 stock options with a weighted average exercise price of \$1.35 per share outstanding as at March 29, 2010. 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 and 2009. Pursuant to the terms of the financings, the Company is obligated to spend the gross proceeds on qualifying Canadian exploration and development expenditures. As at December 31, 2009, Ironhorse had obligations to incur \$3.0 million of Canadian exploration expenditures in 2010 to fulfill all of its flow-through financing obligations. As of today's date we estimate that that the Company has incurred sufficient qualifying expenditures to fulfill this commitment. On March 22, 2010 the Company entered into an agreement to issue 3,683,143 common shares on a flow through basis at a price of \$1.40 per share for gross proceeds of \$5.2 million. The private placement is scheduled to close on April 14, 2010. Pursuant to the terms of the financing, the Company is obligated to spend the gross proceeds on qualifying Canadian exploration and development expenditures.

Critical Accounting Estimates

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

Oil and Gas Accounting

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

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

Impairment of Petroleum and Natural Gas Assets

Companies that use the full-cost method of accounting for oil and natural gas operations are required to perform an impairment test (the "ceiling test") that calculates a limit for the net carrying cost of petroleum and natural gas assets. The net amount at which petroleum and natural gas properties are carried is subject to a cost recovery test. The ceiling test is a two-stage process. The first stage of the test is a recovery test which compares the undiscounted future cash flows from proved reserves at forecast prices plus the cost, less impairment, of unproved properties to the net book value of the petroleum and natural gas assets to determine if the assets are impaired. An impairment loss exists when the net book value of the petroleum and natural gas assets exceeds such undiscounted cash flows. The second stage determines the amount of the impairment loss to be recorded. The impairment is measured as the amount by which the net book value of the petroleum and natural gas assets exceeds the future discounted cash flows from proved plus probable reserves at the forecast prices. If reserve estimates are revised downward, net income could be affected by any additional depletion and depreciation recorded under the ceiling test calculation and could result in a significant accounting expense for a particular period. Ironhorse had approximately a \$43 million cushion pursuant to the first test at December 31, 2009.

Asset Retirement Obligations

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

Changes in Accounting Policies

Effective January 1, 2009, the Company adopted the Canadian Institute of Chartered Accountants (CICA) recommendations for capital disclosures which require disclosure of qualitative and quantitative information regarding the Company's objectives, policies and processes for managing capital (refer to Note 10 to the financial statements).

Effective January 1, 2009, the Company adopted the CICA recommendations pertaining to disclosure and presentation of financial instruments which require disclosure of the classification of the Company's

financial instruments and additional qualitative and quantitative information regarding the nature and extent of risks arising from financial instruments to which the Company is exposed (refer to Note 11 to the financial statements).

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

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

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

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

Property and Equipment

IFRS 1, *First-time Adoption of International Financial Reporting Standards* in the oil & gas industry, provides entities the option to elect to measure their assets at historical cost at transition or retrospective restatements of the property, plant & equipment accounts. Ironhorse has elected to complete a detailed retrospective restatement of its prior year's results given its limited operating history and focused nature of its assets.

IFRS 6, *Exploration for and Evaluation of Mineral Resources*, is the standard under which oil and gas exploration and evaluation costs are to be accounted for, and it requires entities to choose from among several different policies when accounting for exploration and evaluation costs. Ironhorse plans to capitalize its exploration and evaluation costs until it has determined that the property contains reserves and is transferred to development and production assets, or that no future economic benefits exist and the costs are expensed and de-recognized. Costs incurred prior to obtaining the right to explore will be expensed. Exploration and evaluation costs will be reported as separate line item on the Company's balance sheet; however, the adoption of IFRS 6 should have no other significant effect on Ironhorse's financial results.

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

IAS 36, *Impairment of Assets*, requires impairment testing to be performed at the cash generating unit "CGU" level as opposed to the full cost pool as permitted under full-cost accounting under Canadian

GAAP. The concept of full-cost accounting under existing Canadian GAAP does not fit within the IFRS framework and, as such, Canadian companies engaged in oil and gas exploration and development must allocate the carrying amount of their oil and gas assets to CGUs at the date of transition to IFRS. A CGU is defined as the smallest identifiable asset or group of assets that generates largely independent cash flows. This change will result in impairment test calculations at the CGU level and could possibly result in more frequent write-downs of the carrying values of CGUs since the impairment tests are performed at a lower level than under Canadian GAAP.

IAS 36 also uses a one-step approach for testing and measuring impairments, with asset carrying amounts being compared to the higher of value in use and fair value, less cost to sell. Value in use is defined as being equal to the present value of future cash flows expected to be derived from the asset in its current state. In the absence of an active market, fair value, less cost to sell, may also be determined using discounted cash flows. The use of discounted cash flows under IFRS differs from Canadian GAAP where undiscounted cash flows are used to compare against the asset's carrying amounts to determine if impairment exists. This may result in more frequent write-downs, since asset carrying amounts that were previously supported under Canadian GAAP, based on, undiscounted cash flows, may not be supported on a discounted cash flow basis under IFRS. However, under IAS 36, previous impairment losses can be reversed where circumstances change, such that any remaining impairment is reduced. This also differs from Canadian GAAP, which prohibits the reversal of previously recognized impairment losses.

Financial Instruments

IFRS prohibits the use of the "critical terms match" approach and "shortcut" methods, which assume no effectiveness in a hedge transaction, whereas Canadian GAAP permits the use of both for assessing and measuring ineffectiveness of a hedge if certain conditions are met. This change will likely prevent Ironhorse from applying hedge accounting rules to its derivative contracts.

Decommissioning Liabilities

In calculating asset retirement obligations, IFRS requires the use of the current market-based discount rate at each reporting date rather than the entity's credit-adjusted risk-free rate used under Canadian GAAP. To the extent of any difference between these discount rates, this change will affect the Company's asset retirement obligation liability at the date of conversion to IFRS.

Future Income Taxes

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

Information Systems

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

Summary

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

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

<i>Financial Statement Category</i>	<i>Change Under IFRS</i>	<i>Effect on Financial Statements of Ironhorse</i>
Property and Equipment	Existing full-cost pool to be divided into exploration and evaluation and development and producing segments. Testing for impairment upon restatement.	Certain cost attributable to cash generating units (CGUs) with no future development potential will be charged to retained earnings on transition. Future depletion charges will be reduced accordingly.
Property and Equipment	Development and producing segments to be allocated into CGUs and depleted at a lower level.	Additional depletion calculations will be required at each reporting period.
Property and Equipment	Depletion can be calculated using either proven or proved plus probable reserves	Use of proved plus probable reserves in depletion calculation will reduce depletion expense.
Property and Equipment	Gains and losses on dispositions will be measured and recognized in the income statement. There is no de minimis rule as exists under current GAAP.	Gains and losses on property sales will be an income statement item.
Property and Equipment	Impairment test will be calculated at the CGU level plus changes to the impairment calculation methodology.	Impairment of CGUs from existing asset base may occur upon retrospective restatement.
Financial Instruments	Hedge accounting requirements have become significantly more stringent.	All future hedges will be marked to market and gains or losses will be included in the income statement.
Asset Retirement Obligation	A market-based discount rate will be used instead of using a credit-adjusted risk-free rate.	Effect not yet determinable.
Borrowing Costs	Interest costs relating to the financing of assets with a long ready-for-use time frame to be capitalized.	Likely no effect on Ironhorse, based on existing assets.
Cash Flow Statement	To focus on cash measurements only, with no adjustment for working capital components.	More a presentation than a measurement issue. However, non-GAAP funds from operations will be harder to measure and may disappear from common usage.
Share-Based Payments	Stock options that vest in instalments should be valued separately.	No material effect likely.

Selected Quarterly Information

Unit	2009				2008				
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Financial									
Revenue	\$m	2,183	1,858	2,298	3,053	3,427	4,355	6,120	4,063
Funds from operations	\$m	653	798	881	1,542	1,525	1,806	2,939	1,731
Per share – basic	\$	0.03	0.04	0.04	0.07	0.07	0.09	0.15	0.09
Per share – diluted	\$	0.03	0.04	0.04	0.07	0.07	0.09	0.14	0.09
Income (loss)	\$m	(313)	(511)	(653)	(18)	128	227	919	312
Per share – basic	\$	(0.01)	(0.02)	(0.03)	0.00	0.00	0.01	0.05	0.02
Per share – diluted	\$	(0.01)	(0.02)	(0.03)	0.00	0.00	0.01	0.05	0.02
Capital expenditures	\$m	2,609	384	1,017	5,994	2,842	366	1,416	5,942
Net debt	\$m	9,909	11,142	11,505	11,319	6,789	8,645	10,023	12,205
Total assets	\$m	36,491	34,438	35,478	36,543	32,199	31,070	32,600	32,098
Operational									
Daily production									
Natural gas	mcf	5,560	6,252	7,153	6,498	5,486	6,624	7,600	6,034
Light oil & ngl's	bbls	10	8	19	7	7	7	7	6
Total sales	boe	937	1,051	1,211	1,089	921	1,111	1,143	1,012
Average price									
Natural gas	\$/mcf	4.15	3.15	3.37	5.16	6.72	6.99	8.74	7.29
Light oil & ngl's	\$/bbl	66.91	57.24	59.95	53.12	54.41	114.82	103.61	102.61
Boe	\$/boe	25.35	19.22	20.85	31.11	40.41	42.61	52.80	44.13
Field Netback	\$/boe	14.15	12.20	12.49	19.91	24.37	24.95	29.28	23.50
Weighted average shares outstanding									
Basic	m	22,859	21,663	21,751	21,779	21,780	20,111	19,979	19,500
Diluted	m	22,897	21,698	21,751	21,779	21,906	20,489	20,376	19,509

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 four 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 December of 2010. During the fourth quarter of 2009 the Company

undertook exploration drilling in its new project areas at Dawson, Alberta, Jedney, British Columbia and Shaunavon, Saskatchewan. The results of these activities are expected to positively impact future quarters.

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 December 31, 2009 annual filings. The new certification reflects what the Company considers to be a more appropriate level of CEO and CFO certification given the size and nature of the Company's operations. This certification requires that the certifying officers state:

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

ADDITIONAL INFORMATION

Additional information regarding Ironhorse Oil & Gas Inc., including the Company's Annual Information Form, is available on SEDAR at www.sedar.com or on the Company's website at www.ihorse.ca.