

MANAGEMENT'S DISCUSSION and ANALYSIS

ADVISORIES

This Management's discussion and analysis ("MD&A"), prepared effective May 20, 2010 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, 2010 and the audited financial statements for the year ended December 31, 2009.

Basis of Presentation - The financial data presented has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and measurement currency in the financial statements and in this MD&A 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.

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.

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 10,000 (5,000 net) mcf per day or 1,666 (833 net) boe per day in the first quarter of 2010 representing approximately 88% of the Company's production. Ironhorse is using the funds generated by 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 prolific 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. In order to produce the oil wells at optimal rates a pressure maintenance scheme is required which would include one or more water injection wells. 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 was drilled in February of 2010. These two oil wells have been drilled and completed and were placed on production in late March at a combined rate of 700 (385 net) bbl per day. Production disruptions were experienced in April and May due to spring access issues. Ironhorse plans to install a flow line from the oil wells to a central oil battery in June of this year to conserve the associated gas production, reduce operating costs and avoid production disruptions due to seasonal access issues. On May 13, 2010, the ERCB approved the Company's application requesting good production practice ("GPP") status for the Dawson Slave Point Oil Pool. GPP approval will allow Ironhorse to produce the two (1.1 net) Dawson oil wells at optimal rates using good engineering practice once we install the flow line. The Company expects to complete construction of the flow line by mid June at which time oil production from the wells will be increased to optimal rates.

Leon Lake, Saskatchewan

In the first quarter of 2010, Ironhorse drilled, completed and production tested its first (0.8 net) horizontal oil well in the Leon Lake, Saskatchewan area formerly referred to as the Shaunavon area. The horizontal oil well is capable of producing at 75 (56 net) boe/d and has produced sporadically over the past couple of months due to seasonal access issues. The oil well will be permanently placed on production in mid to late May once we complete construction of an all season road. The Company undertook a three dimensional seismic program, in March, on its lands which has identified additional drilling locations which we plan to drill later this year.

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 the well and is planning to construct a pipeline this fall to place the gas well on production. The well is capable of producing at 1,200 (1,000 net) mcf/d. Ironhorse is evaluating further development plans for this area.

Outlook

Priorities for the balance of this year include drilling additional oil wells at Leon Lake, Saskatchewan, placing the Pembina oil wells and Jedney gas well on production and identifying acquisition and merger candidates.

The 2009/2010 winter drilling program has yielded positive results which will significantly increase oil production and give the Company a more balanced gas to oil production mix. Ironhorse expects production in the second quarter of 2010 will average 950 to 1,000 boe per day with an 80:20 gas to oil production mix. Further increases in production are expected once the Dawson flow line is installed in June, the Pembina oil wells are placed on production and with further drilling success which will allow the Company to increase its production to over 1,500 boe per day with a 50:50 gas to oil mix.

First quarter 2010 overview

SELECTED INFORMATION	Three Months Ended		
	March 31, 2010	December 31, 2009	March 31, 2009
<i>Thousands except per share amounts</i>			
Financial			
Revenue	\$2,838	\$2,183	\$3,053
Royalties	649	567	822
Funds from operations	1,345	653	1,542
Funds from operations per share			
basic and diluted	0.06	0.03	0.07
Loss	228	313	18
Loss per share – basic and diluted	(0.01)	(0.01)	0.00
Total assets	42,483	36,491	36,546
Capital expenditures	7,470	2,609	5,994
Net debt	16,041	9,909	\$11,319
Weighted average shares outstanding			
basic	24,214	22,859	21,779
fully diluted	24,214	22,897	21,779
Operations			
Production			
Gas – mcf/d	5,044	5,560	6,498
Oil – bbl/d	105	10	7
Total – boe/d	946	937	1,089
Average sales price			
Gas - \$/mcf	4.64	4.15	5.16
Oil - \$/bbl	77.61	66.91	53.72
Boe - \$/boe	33.34	25.35	31.11
Royalty - \$/boe	7.63	6.58	8.38
Operating expenses - \$/boe	4.10	4.61	2.82
Field Netback - \$/boe	21.61	14.15	19.91
General & administrative expenses - \$/boe	3.94	3.95	3.49

The successful 2009/2010 winter drilling program significantly increased the Company's daily oil production which resulted in higher revenues and funds from operations as compared to the fourth quarter of 2009. Funds from

operations increased 91% from the fourth quarter of 2009 as increased oil production and its associated net backs more than offset declines in gas production.

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 new focus areas.

Sales Volumes

		Three Months Ended March 31		
		2010	2009	% Change
Daily sales volumes				
Natural gas	<i>mcf/d</i>	5,044	6,498	(22)
Light oil & ngls	<i>bbls/d</i>	105	6	1646
Total	<i>boe/d</i>	946	1,089	(13)

Sales volumes for the period ended March 31, 2010 averaged 946 boe per day, a decrease of 13% from the 1,089 boe per day during the corresponding period in 2009. The decrease in natural gas production is due to natural declining production in the Shackleton area. The Dawson oil discovery which was placed on production in March accounts for the increase in oil production.

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 at Dawson and Leon Lake together with the discovery made last year at Pembina are expected to offset these declines in gas production.

Marketing and Revenue

		Three Months Ended March 31		
		2010	2009	% Change
Benchmark				
Alberta Spot – Natural gas	\$/mcf	4.92	4.85	2
West Texas Intermediate - Oil	US\$/bbl	78.70	42.93	83
Edmonton Par - Oil	\$/bbl	82.54	49.75	66
Company Prices				
Natural gas price	\$/mcf	4.64	5.16	(10)
Light oil price	\$/bbl	77.61	53.72	44
Boe	\$/boe	33.34	31.11	7
Revenue				
Natural gas	\$m	2,105	3,020	(30)
Light oil & ngls	\$m	732	30	2339
Other	\$m	1	3	(50)
Total	\$m	2,838	3,053	(7)

The Company's Shackleton gas production is marketed through the marketing arm of a large international oil and gas company. The Shackleton gas receives the Alberta gas spot price at the AECO Hub adjusted for heating content, plus \$0.85 per gigajoule ("GJ") less a transportation charge of approximately \$0.15 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 2009 and early 2010 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 the response to the economic downturn. During the first quarter all of Ironhorse’s natural gas production was sold on the spot market. The Company’s natural gas receives a price which is approximately 6% lower than the average benchmark price due to the lower heat content per mcf of the Shackleton natural gas. Crude oil is marketed on 30 day evergreen contracts at prevailing market prices.

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

Sales revenues for the first quarter were 7% lower than the same period in the prior year. The small reduction in revenues was the result of lower natural gas revenues due to decreases in volumes which was offset by the increases in oil production and revenues.

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

Royalties

		Three Months Ended March 31		
		2010	2009	% Change
Royalties	\$m	649	822	(21)
Per boe	\$	7.63	8.38	(9)
Royalty rate	%	22.9	26.9	(15)

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, which is equivalent to Saskatchewan crown royalty, plus a minimum 15% gross overriding royalty. Royalty rates vary based on a number of factors including commodity pricing and production rates. Royalties are calculated on sales revenues based on daily spot prices and without reference to contracted gas price differences. Our new oil production is eligible for various royalty holiday programs.

Wells drilled in Alberta between April 1, 2009 and March 31, 2011; earn a drilling credit of \$200 per meter. Included as a reduction of capital expenditures at March 31, 2010 is an expected royalty recovery of \$0.5 million with respect to wells drilled in the first quarter of 2010.

For the period ended March 31, 2010 royalties decreased 21% to \$0.6 million (\$7.63 per boe) compared to \$0.8 million (\$8.38 per boe) in 2009. The decrease in royalties and lower royalty rate as a percentage of revenue for the period is attributable to the royalty holiday programs applicable to the new oil production.

Royalties as a percentage of revenue for the balance of 2010 are expected to be between 20 to 25%, depending on commodity prices and the nature of the changes made by the Alberta government planned for later this year.

Operating Expenses

		Three Months Ended March 31		
		2010	2009	% Change
Operating expenses	\$m	349	277	26
Per boe	\$	4.10	2.82	45

Operating expenses were \$0.3 million, or \$4.10 per boe, for the quarter ended March 31, 2010 compared to \$0.3 million or \$2.82 per boe, during the comparable period of 2009. The increase in operating expenses and the higher rate per boe is attributable to the new oil production which must be trucked to third party processing facilities.

Operating expenditures for the balance of 2010 are expected to be approximately \$5 to \$6 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		
		2010	2009	% Change
G&A	\$m	335	342	(2)
SBC	\$m	73	83	(12)
Per boe				
G&A	\$	3.94	3.49	13
SBC	\$	0.86	0.85	1

For the quarter ended March 31, 2010, G&A did not change significantly. G&A includes a management fee of \$2.43 per boe. For additional information on management fees refer to the related party section of this MD&A.

Interest Expense

		Three Months Ended March 31		
		2010	2009	% Change
Interest expense	\$m	160	64	150
Per boe	\$	1.88	0.65	189

Interest expense for the three months ended March 31, 2010 increased 150% due to higher debt levels, interest rates and stand by fees.

The Company expects interest expense in 2010 will remain at current levels as debt levels and interest rates are expected to remain at current levels throughout the year

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

		Three Months Ended March 31		
		2010	2009	% Change
DD&A	\$m	1,737	1,453	20
Per boe	\$	20.41	14.82	38

The DD&A provision for the three months ended March 31, 2010 increased 20% from \$1.5 million to \$1.7 million. The increase is due to a higher depletion rate per boe in 2010. On a boe basis, the DD&A ratio increased by 38% in 2010 due to higher pro-rata capital expenditures relative to the proven reserves additions in the quarter.

The depletion, depreciation and accretion rate per boe for 2010 will vary with drilling results during the year.

Income Taxes

		Three Months Ended March 31		
		2010	2009	% Change
Income Taxes (Recovery)	\$m	(237)	29	(917)

The income tax recovery is greater due to the higher net loss recorded in 2010 versus the same period in 2009. A reduction in the future rates has contributed to the current period tax recovery.

Field Netback

		Three Months Ended March 31		
<i>\$ Per boe</i>		2010	2009	% Change
Revenue		33.34	31.11	7
Less: Royalties		7.63	8.38	(9)
Operating expenses		4.10	2.82	45
Field netback		21.61	19.91	9

Ironhorse’s field netback per boe for the period ended March 31, 2010 increased 9% to \$21.61 from \$19.91 per boe for the corresponding 2009 period. The slight increase is attributable to the increased in oil volumes which receive a higher price per boe than gas volumes.

Field netbacks per boe in 2010 are expected to trend higher as the company’s increases the oil weighting of its production.

Funds from Operations and Loss

		Three Months Ended March 31		
		2010	2009	% Change
Funds from operations	\$m	1,345	1,542	(13)
Basic and diluted per share	\$	0.06	0.07	(14)
Loss	\$m	228	18	1,167
Basic and diluted per share	\$	(0.01)	0.00	-
Weighted average shares outstanding				
Basic	m	24,214	21,779	11
Diluted	m	24,214	21,779	11

Funds from operations for the period ended March 31, 2010 decreased 13% to \$1.3 million from \$1.5 million in 2009.

The decrease in funds from operations and the increase in the loss were primarily due to lower natural gas volumes and prices.

Capital Expenditures

Expenditure category	Three Months Ended March 31			
	\$m	2010	2009	% Change
Land		91	265	(66)
Seismic		368	104	254
Drilling and completions		6,767	5,367	26
G&A		244	258	(5)
		7,470	5,994	25

Area	Three Months Ended March 31			
	\$m	2010	2009	% Change
Saskatchewan		1,974	4,323	(54)
NE British Columbia		4,168	48	8583
Alberta		1,084	1,365	(21)
G&A		244	258	(5)
		7,470	5,994	25

Capital expenditures increased 25% from \$6.0 million in 2009 to \$7.5 million in 2010 as a result of the Company spending less in the Shackleton area which was offset by expenditures at Pembina, Dawson, Jedney and Leon Lake.

In Saskatchewan Ironhorse drilled and completed its first horizontal oil well at Leon Lake. The well is expected to be permanently on production in May once we construct an all season access road. In March the Company completed a seismic program over the balance of its lands at Leon Lake. The seismic has identified follow up drilling locations which will be drilled later this year.

In NE, British Columbia at Jedney the Company drilled and completed one (0.8 net) gas well; drilling the well is expected to be placed on production in the fall of this year.

In Alberta, Ironhorse drilled and completed two (1.1 net) oil wells at Dawson. Both Dawson oil wells were placed on production in March at a combined rate of 700 (385 net) bbl/d. The wells experienced some production disruptions in April and May due to seasonal access issues. The Company plans to install a flow line from the oil wells to a central battery in June of this year. Included in the Alberta drilling and completion capital expenditures is an expected royalty reduction of \$0.5 million related to the drilling royalty credits earned at Dawson.

Ironhorse plans to undertake a \$15 million capital spending program in 2010 which will be financed through a combination of funds from operations, proceeds from issuing equity and draws on our credit facilities.

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 of \$2.43. 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 is 4.13 percent. 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		
		2010	2009	% Change
Production fees	\$m	161	161	0
Capital fees	\$m	244	200	22
Management fees	\$m	405	361	12

Normal Course Issuer Bid

On December 1, 2009 the Company continued 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 1,649,749 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 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, 2010, the Company acquired 24,400 common shares at an average cost of \$1.18 per share. Subsequent to March 31, 2010 the Company has acquired 7,000 common shares at an average cost of \$1.16 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 \$11.9 million against its \$20 million credit facility at March 31, 2010. The Company's credit facility, reviewable annually, is with a Canadian financial institution. Draws against the credit facilities are made by way of direct advances or guaranteed notes. Direct advances bear interest at the financial institution's prime lending rate plus 2.50%, guaranteed notes bear interest at a base rate of 4% plus an applicable fee. The monthly unused portion of the credit facility is subject to an annualized fee of 0.80%. 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.

On April 15, 2010 the Company completed a private placement of 3.7 million common shares on a flow-through basis for gross proceeds of \$5.2 million.

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 the balance of 2010 include:

- Drilling, completing and placing on production additional oil wells at Leon Lake, Saskatchewan;
- Placing the gas well at Jedney, British Columbia on production;
- Placing the two (0.4 net) Pembina, Alberta oil wells on production, which includes construction of a pipeline and drilling the required water injection wells; and
- Identifying acquisition and merger opportunities.

Ironhorse believes it can complete these activities with its current financial resources.

Ironhorse has 27,895,824 common shares and 2,341,900 stock options with a weighted average exercise price of \$1.34 per share outstanding as at May 20, 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 2009 and 2010. Pursuant to the terms of the financings, the Company is obligated to spend the gross proceeds on qualifying Canadian exploration expenditures. As at March 31, 2010, Ironhorse had incurred qualifying expenditures to fulfill all of its 2009 flow-through financing obligations. Subsequent to March 31, 2010, the Company completed a private placement on a flow through basis which requires the Company to incur \$5.2 million of qualifying Canadian exploration prior to December 31, 2011.

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. No impairment was determined at March 31, 2010 pursuant to the first stage of the test.

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 is considering the completion of 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 any 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

		<u>2010</u>		<u>2009</u>			<u>2008</u>		
	<i>Unit</i>	<i>Q1</i>	<i>Q4</i>	<i>Q3</i>	<i>Q2</i>	<i>Q1</i>	<i>Q4</i>	<i>Q3</i>	<i>Q2</i>
Financial									
Revenue	\$m	2,838	2,183	1,858	2,298	3,053	3,427	4,355	6,120
Funds from operations	\$m	1,345	653	798	881	1,542	1,525	1,806	2,939
Per share – basic	\$	0.06	0.03	0.04	0.04	0.07	0.07	0.09	0.15
Per share – diluted	\$	0.05	0.03	0.04	0.04	0.07	0.07	0.09	0.14
Income (loss)	\$m	(228)	(313)	(511)	(653)	(18)	128	227	919
Per share – basic	\$	(0.01)	(0.01)	(0.02)	(0.03)	0.00	0.00	0.01	0.05
Per share – diluted	\$	(0.01)	(0.01)	(0.02)	(0.03)	0.00	0.00	0.01	0.05
Capital expenditures	\$m	7,470	2,610	384	1,017	5,993	2,842	366	1,416
Net debt	\$m	16,041	9,909	11,142	11,505	11,319	6,789	8,645	10,023
Total assets	\$m	42,483	36,491	34,438	35,478	36,543	32,199	31,070	32,600
Operational									
Production									
Natural gas	mcf/d	5,044	5,560	6,252	7,153	6,498	5,486	6,624	7,600
Light oil & Ngls	bbls/d	105	10	8	19	7	7	7	7
Total	boe/d	946	937	1,051	1,211	1,089	921	1,111	1,143
Average price									
Natural gas	\$/mcf	4.64	4.15	3.15	3.37	5.16	6.72	6.99	8.74
Light oil & Ngls	\$/bbl	77.61	66.91	57.24	59.95	53.72	54.41	114.82	103.61
Boe	\$/boe	33.34	25.35	19.22	20.85	31.11	40.41	42.61	52.80
Field Netback	\$/boe	21.61	14.15	12.20	12.49	19.91	24.37	24.95	29.28
Weighted average shares outstanding									
Basic	m	24,214	22,859	21,663	21,751	21,779	21,780	20,111	19,979
Diluted	m	24,214	22,897	21,698	21,751	21,779	21,906	20,489	20,376

In the first quarter of 2008 and 2009 the Company drilled gas wells at Shackleton which resulted in gas production increasing in the second quarter of each year, no additional gas wells were drilled in 2010. In the first quarter of 2010 the Company drilled two (1.1 net) oil wells at Dawson, one (0.8 net) oil well at Leon Lake and one (0.8 net) gas well at Jedney. These activities resulted in Ironhorse's oil production and funds from operations increasing significantly.

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.