IRONHORSE OIL & GAS INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

MANAGEMENT'S REPORT

The accompanying unaudited interim condensed financial statements of Ironhorse Oil & Gas Inc. (the "Company") for the three and nine months ended September 30, 2016 and 2015 have been prepared by management and were approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

Dated November 17, 2016

Approved on behalf of Ironhorse Oil & Gas Inc.:

(signed) "Larry J. Parks"	(signed) "Karen Hutson"
Larry J. Parks	Karen Hutson
President & Chief Executive Officer	VP Finance & Chief Financial Officer

IRONHORSE OIL & GAS INC.
Condensed Interim Statements of Financial Position
(Unaudited)
(In thousands of Canadian dollars)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	**2,388**	3,515
Accounts receivable	**346**	203
Prepaid expenses and deposits	**321**	308
	3,055	4,026
Property, plant and equipment (note 3)	**10,278**	10,538
Deferred income taxes (note 9)	**767**	642
	14,100	15,206
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**395**	1,111
Decommissioning liabilities (note 4)	**306**	360
	701	1,471
SHAREHOLDERS' EQUITY		
Shareholders' capital (note 5)	**29,875**	29,875
Contributed surplus	**2,048**	2,048
Deficit	**(18,524)**	(18,188)
	13,399	13,735
	14,100	15,206

The accompanying notes are an integral part of these condensed interim financial statements.

Approved on behalf of the Board:

(signed) "Larry J. Parks" — Director

(signed) "Gerry C. Quinn" — Director

IRONHORSE OIL & GAS INC.
Condensed Interim Statements of Income (Loss)
(Unaudited)
(In thousands of Canadian dollars except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
REVENUES				
Petroleum and natural gas revenues, gross	**669**	941	**847**	2,451
Royalties	**(271)**	(404)	**(286)**	(876)
	398	537	**561**	1,575
EXPENSES				
Operating and transportation	**261**	417	**406**	919
General and administrative expense	**89**	85	**341**	296
Finance income (note 6)	**(4)**	(3)	**(12)**	(9)
Depletion and amortization (note 3)	**221**	443	**287**	1,106
Impairment (note 3)	**-**	3,499	**-**	4,108
	567	4,441	**1,022**	6,420
Loss before income taxes	**(169)**	(3,904)	**(461)**	(4,845)
Deferred income recovery (note 9)	**(46)**	(1,054)	**(125)**	(1,202)
Loss and comprehensive loss	**(123)**	(2,850)	**(336)**	(3,643)
Deficit, beginning of the period	**(18,401)**	(13,262)	**(18,188)**	(12,469)
Deficit, end of the period	**(18,524)**	(16,112)	**(18,524)**	(16,112)
Loss per share (note 5)				
Basic and diluted	**(0.00)**	(0.10)	**(0.01)**	(0.13)

The accompanying notes are an integral part of these condensed interim financial statements.

IRONHORSE OIL & GAS INC.
Condensed Interim Statement of Changes in Equity
(Unaudited)
(In thousands of Canadian dollars)

	Shareholders' Capital	Contributed Surplus	Deficit	Total Equity
Balance as at December 31, 2014	29,875	2,048	(12,469)	19,454
Net loss	-	-	(3,643)	(3,643)
Balance as at September 30, 2015	29,875	2,048	(16,112)	15,811
Balance as at December 31, 2015	29,875	2,048	(18,188)	13,735
Net Loss	-	-	(336)	(336)
Balance as at September 30, 2016	29,875	2,048	(18,524)	13,399

The accompanying notes are an integral part of these condensed interim financial statements

IRONHORSE OIL & GAS INC.
Condensed Interim Statement of Cash Flows
(Unaudited)
(In thousands of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	**2016**	2015
Cash flows from operating activities				
Net loss	**(123)**	(2,850)	**(336)**	(3,643)
Items not affecting cash:				
Depletion and amortization (note 3)	**221**	443	**287**	1,106
Impairments (note 3)	**-**	3,499	**-**	4,108
Accretion of decommissioning liabilities (note 4)	**1**	1	**2**	3
Deferred income tax recovery	**(46)**	(1,054)	**(125)**	(1,202)
Net change in decommissioning liabilities (note 4)	**(89)**	-	**(84)**	-
Change in non-cash working capital (note 10)	**3**	739	**(870)**	796
Net cash flow from operating activities	**(33)**	778	**(1,126)**	1,168
Cash flows from investing activities				
Property, plant and equipment expenditures (note 3)	**-**	(21)	**1**	(44)
Changes in non-cash working capital (note 10)	**-**	18	**(2)**	10
Net cash flow from investing activities	**-**	(3)	**(1)**	(34)
Increase (decrease) in cash	**(33)**	775	**(1,127)**	1,134
Cash, beginning of the period	**2,421**	2,828	**3,515**	2,469
Cash, end of the period	**2,388**	3,603	**2,388**	3,603
Supplemental cash information:				
Interest expense paid (received)	**(5)**	(4)	**(14)**	(12)

The accompanying notes are an integral part of these condensed interim financial statements.

1. REPORTING ENTITY

Ironhorse Oil & Gas Inc. ("Ironhorse" or the "Company") is incorporated under the Business Corporations Act of Alberta with its principal place of business at 1000, 324-8th Avenue SW, Calgary, Alberta. The Company's shares are listed on the TSX Venture Exchange under the symbol IOG-V. Ironhorse is engaged in the exploration for, development and production of petroleum and natural gas reserves in western Canada.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The condensed financial statements (the "financial statements") have been prepared in accordance with IAS 34, "*Interim Financial Reporting"* using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies are the same as those disclosed in Note 3 of the Company's audited financial statements as at and for the years ended December 31, 2015 and 2014. These condensed interim financial statements do not include all of the information required for full annual financial statements.

These financial statements were authorized for issuance in accordance with a resolution of the Board of Directors on November 17, 2016.

(b) New Accounting Standards

IFRS 9- Financial Instruments
The IASB is replacing International Accounting Standards ("IAS") 39, "Financial Instruments: Recognition and Measurement" with IFRS 9, "Financial Instruments". For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 11- Joint Arrangements
IFRS 11 Joint arrangements has been amended to require that the relevant principles from IFRS 3 Business combinations be applied when an organization acquires an initial or additional interest in a joint operation and the activities of the joint operation constitute a business as defined in IFRS 3. IFRS 1 is effective for annual periods beginning on or after January 1, 2016.

Amendment of IFRS 15 - Revenue Recognition
The IASB has issued IFRS 15 Revenue from contracts with customers which will replace the current revenue guidance on revenue and construction contracts. The expectation is that IFRS 15 provides a recognition standard that can be applied consistently across various transactions, industries and capital markets. The standard specifies the five steps that an organization would apply to recognize revenue; identifying the contract with the customer, identifying the performance obligations to transfer distinct goods or services within the contract, determining the transaction price, allocating the transaction price to each separate performance obligation on the basis of relative stand-alone selling prices, and recognizing revenue when or as the performance obligation is satisfied. An organization will be considered to have satisfied a performance obligation by transferring a promised good or service to a customer with a transfer being defined in terms of when the customer obtains control of the promised good or service. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

3. PROPERTY, PLANT AND EQUIPMENT ("PP&E")

PP&E – Cost	
Balance, December 31, 2014	23,630
Additions	44
Changes in decommissioning liabilities	26
Balance, December 31, 2015	23,700
Additions	(1)
Changes in decommissioning liabilities	28
Balance, September 30, 2016	**23,727**

Accumulated depletion and amortization	
Balance, December 31, 2014	(5,248)
Depletion and amortization expense	(1,475)
Impairment	(6,439)
Balance, December 31, 2015	(13,162)
Depletion and amortization expense	(287)
Impairment	-
Balance, September 30, 2016	**(13,449)**
Carrying value	
As at December 31, 2015	10,538
As at September 30, 2016	**10,278**

Impairment

For the nine month period ended September 30, 2015 the Company recorded an impairment loss of $4,108,000 against PP&E related to its Pembina CGU. The impairment loss was due to a decrease in the value-in-use triggered primarily as a result of declining crude oil and natural gas forward commodity prices and an increase in operating costs, as compared to the December 31, 2014 external reserve report forecast.

The recoverable amount for the Pembina CGU value-in-use of $10.3 million was determined by estimating the net present value of the before tax cash flows from oil, natural gas and liquids proved plus probable reserves using current forecast prices, discounted at a rate of 10%.

4. DECOMMISSIONING LIABILITIES

	September 30, 2016	December 31, 2015
Balance, beginning of period	**360**	331
Change in estimates and discount rate	**28**	26
Settlement of decommissioning liabilities	**(84)**	-
Accretion expense	**2**	3
Balance, end of period	**306**	360

During Q3 2016 decommissioning work commenced at the Company's operated Dawson, Alberta property as wells were cut and capped and pipelines abandoned. Remaining work includes environmental assessment and surface reclamation.

5. SHAREHOLDERS' CAPITAL

The Company has authorized an unlimited number of common shares and first preferred shares. The outstanding shareholders' capital is as follows:

(a) Issued

	Number of shares	Amount
Balance, December 31, 2015 and September 30, 2016	27,885,824	29,875

(b) Share based compensation

During the nine months ended September 30, 2016 no options were granted and 20,000 options were forfeited. As at September 30, 2016 there were 105,000 options outstanding with a weighted average strike price of $0.17.

(c) Per Share Amounts

For nine months ended September 30	**2016**	2015
Basic and Diluted :		
Income (loss) per share	**(0.01)**	(0.13)
Weighted average common shares – basic	**27,885,824**	27,885,824
Weighted average common shares – diluted	**27,885,824**	27,885,824

6. FINANCE (INCOME) EXPENSE

For nine months ended September 30	**2016**	2015
Interest (income) expense and finance charges	**(14)**	(12)
Accretion and decommissioning liabilities (note 4)	**2**	3
	(12)	(9)

7. CAPITAL MANAGEMENT

The Company's shareholders' capital is not subject to external restrictions. The Company does not have any credit facilities and there were no changes in the Company's approach to capital management during the period. The Company's net working capital is as follows.

As at	**September 30, 2016**	December 31, 2015
Current assets	**3,055**	4,026
Current liabilities	**(395)**	(1,111)
Net working capital	**2,660**	2,915

8. RELATED PARTY TRANSACTIONS

The Company, Grizzly Resources Ltd. ("GRL") and Copper Island Resources Ltd. ("CIRL") are considered related by virtue of common management. The Company and GRL are also significant joint venture partners in Ironhorse's operating areas. The Company has entered into a management contract with GRL to provide technical and administrative services.

A summary of related party transactions included in the financial statements are as follows:

For the nine months ended September 30	**2016**	2015
Capital expenditures	**-**	27
Operating expenses	**433**	147
Petroleum and natural gas revenues	**812**	2,387
Royalties	**331**	829
General and administrative – management fees	**135**	135

The inter-company net receivable balances due from related parties were as follows:

As at September 30	**2016**	2015
Grizzly Resources Ltd.	**234**	82

The amounts outstanding at September 30, 2016 were settled by October 31, 2016.

Director fees

During the second quarter of 2015, the Directors of the Company authorized director fees and special committee fee compensation for non-management board members, commencing with the first quarter of 2015. Director fees of $7,500 have been recorded during the first nine months of 2016 ($7,500 – 2015) related to a member of the Board of Directors who is also a director of Grizzly Resources Ltd.

9. INCOME TAXES

Although the Company has incurred losses for the fiscal period and past two fiscal years, a net deferred tax asset of $767,000 has been recorded as at September 30, 2016 ($642,000 – December 31, 2015). The Company recognized a net deferred tax asset for non-capital loss carry-forwards based on the Company's estimate that it is probable that it will earn sufficient taxable profits in the future to utilize these losses before they expire. Future taxable profits were estimated using the independently evaluated reserve report.

10. SUPPLEMENTAL DISCLOSURES

For the nine months ended September 30	**2016**	2015
Changes in non-cash working capital:		
Accounts receivable	**(143)**	130
Prepaid expenses	**(13)**	(34)
Accounts payable and accrued liabilities	**(716)**	710
	(872)	806
Relating to:		
Operating activities	**(870)**	796
Investing activities	**(2)**	10
	(872)	806

11. Statement of Claim

On February 23, 2016, the Company and GRL jointly filed a Statement of Claim in the Court of Queen's Bench of Alberta against Sinopec Daylight Energy Ltd. ("Sinopec"), the operator of pipelines and facilities associated with the Pembina L2L Pool production. The Company and GRL are seeking damages against Sinopec for misrepresentation and breach of contract. On April 15, 2016 Sinopec Daylight Energy Ltd. filed a Statement of Defense in response to the Statement of Claim, as well as a Counterclaim. On May 24, 2016, the Company and GRL filed a Statement of Defense to the Sinopec Counterclaim.