

**IRONHORSE OIL & GAS INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)
FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**

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, 2017 and 2016 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 28, 2017

Approved on behalf of Ironhorse Oil & Gas Inc.:

(signed) "Larry J. Parks"

Larry J. Parks
President & Chief Executive Officer

(signed) "Karen Hutson"

Karen Hutson
VP Finance & Chief Financial Officer

IRONHORSE OIL & GAS INC.
Condensed Interim Statements of Financial Position
(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	3,102	2,831
Accounts receivable	40	146
Prepaid expenses and deposits	124	123
	3,266	3,100
Property, plant and equipment (note 3)	5,000	9,158
Deferred income taxes (note 9)	207	1,026
	8,473	13,284
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	314	312
Decommissioning liabilities (note 4)	274	273
	588	585
SHAREHOLDERS' EQUITY		
Shareholders' capital (note 5)	29,875	29,875
Contributed surplus	2,048	2,048
Deficit	(24,038)	(19,224)
	7,885	12,699
	8,473	13,284

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 Comprehensive Loss
(Unaudited)

(In thousands of Canadian dollars except per share amounts)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
REVENUES				
Petroleum and natural gas revenues, gross	415	669	1,907	847
Royalties	(168)	(271)	(762)	(286)
	247	398	1,145	561
EXPENSES				
Operating and transportation	189	261	560	406
General and administrative expense	171	89	430	341
Finance income (note 6)	(5)	(4)	(14)	(12)
Depletion and depreciation (note 3)	113	221	565	287
Impairments of property, plant and equipment (note 3)	1,644	-	3,599	-
	2,112	567	5,140	1,022
Loss before income taxes	(1,865)	(169)	(3,995)	(461)
Deferred income tax expense (recovery) (note 9)	1,394	(46)	819	(125)
Loss and comprehensive loss	(3,259)	(123)	(4,814)	(336)
Deficit, beginning of the period	(20,779)	(18,401)	(19,224)	(18,188)
Deficit, end of the period	(24,038)	(18,524)	(24,038)	(18,524)
Loss per share (note 5)				
Basic and diluted	(0.12)	(0.00)	(0.17)	(0.01)

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'	Contributed		Total
	Capital	Surplus	Deficit	Equity
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
Balance as at December 31, 2016	29,875	2,048	(19,224)	12,699
Net Loss	-	-	(4,814)	(4,814)
Balance as at September 30, 2017	29,875	2,048	(24,038)	7,885

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

IRONHORSE OIL & GAS INC.
Condensed Interim Statements of Cash Flows
(Unaudited)

(In thousands of Canadian dollars)

	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Cash flows from operating activities				
Net loss	(3,259)	(123)	(4,814)	(336)
Items not affecting cash:				
Depletion and depreciation (note 3)	113	221	565	287
Impairment of property, plant and equipment (note 3)	1,644	-	3,599	-
Accretion of decommissioning liabilities (note 4)	1	1	3	2
Deferred income tax expense (recovery)	1,394	(46)	819	(125)
Expenditures on decommissioning liabilities (note 4)	(4)	(89)	(8)	(84)
Net change in non-cash working capital (note 10)	129	3	107	(870)
Net cash flow from operating activities	18	(33)	271	(1,126)
Cash flows from investing activities				
Property, plant and equipment expenditures (note 3)	-	-	-	1
Changes in non-cash working capital (note 10)	-	-	-	(2)
Net cash flow from investing activities	-	-	-	(1)
Increase (decrease) in cash	18	(33)	271	(1,127)
Cash, beginning of the period	3,084	2,421	2,831	3,515
Cash, end of the period	3,102	2,388	3,102	2,388
Supplemental cash information:				
Interest expense paid (received)	(6)	(5)	(17)	(14)

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

IRONHORSE OIL & GAS INC.

Notes to the Condensed Interim Financial Statements (Unaudited)

(All amounts are in thousands of dollars, unless otherwise indicated)

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, 2016 and 2015. 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 28, 2017.

(b) New and Future Accounting Pronouncements

IFRS 9- Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 "Financial Instruments" which replaces IAS 39, "Financial Instruments: Recognition and Measurement". The standard will come into effect for annual periods beginning on or after January 1, 2018 with earlier adoption permitted.

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. For financial liabilities, IFRS 9 retains most of the requirements of IAS 39. In addition, IFRS 9 introduces a new expected credit loss model for calculating impairment of financial assets, replacing the incurred loss impairment model required by IAS 39. The standard also specifies standards for hedge accounts. It is anticipated that the adoption of IFRS 9 will not have a material impact on the Company's financial statements.

Amendment of IFRS 15 - Revenue Recognition

The IASB has issued IFRS 15 "Revenue from Contracts with Customers" which replaces IAS 18 "Revenue". 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. The Company is in the process of reviewing its revenue streams to determine the impact, if any, that the adoption of IFRS 15 will have on its financial statements and related disclosure.

Amendment of IFRS 16 – Leases

In January 2016, The IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases," and provides that a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value assets are exempt from the requirements, and may continue to be treated as operating leases.

IFRS 16 will come into effect for years beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 “Revenue from Contracts with Customers” has been adopted. The standard may be applied retrospectively or using a modified retrospective approach. It is anticipated that the adoption of IFRS 16 will not have a material impact on the Company’s financial statements.

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

PP&E – Cost	
Balance, December 31, 2015	23,700
Additions	(1)
Changes in decommissioning liabilities	8
Balance, December 31, 2016	23,707
Changes in decommissioning liabilities	6
Balance, September 30, 2017	23,713
Accumulated depletion and amortization	
Balance, December 31, 2015	(13,162)
Depletion and amortization expense	(590)
Impairment	(797)
Balance, December 31, 2016	(14,549)
Depletion and amortization expense	(565)
Impairment	(3,599)
Balance, September 30, 2017	(18,713)
Carrying value	
As at December 31, 2016	9,158
As at September 30, 2017	5,000

Impairment

For the nine month period ended September 30, 2017 the Company recorded an impairment loss of \$3,599,000 against PP&E related to its Pembina CGU. The impairment loss assessment 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, using internally estimated proved reserves and reduced production as compared to the December 31, 2016 external reserve report forecast at proved plus probable reserves.

The recoverable amount for the Pembina CGU value-in-use was reduced from \$6.7 million at June 30, 2017 to \$5.0 million during the current quarter and was determined by estimating the net present value of the before tax cash flows from oil, natural gas and liquids proved reserves using current forecast prices, discounted at a rate of 10% as compared with proved plus probable reserves, used at June 30, 2017. The estimated proved reserve value is representative of current market parameters used in PP&E valuations of similar assets.

4. DECOMMISSIONING LIABILITIES

	September 30, 2017	December 31, 2016
Balance, beginning of period	273	360
Change in estimates and discount rate	6	8
Settlement of decommissioning liabilities	(8)	(98)
Accretion expense	3	3
Balance, end of period	274	273

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, 2016 and September 30, 2017	27,885,824	29,875

(b) Share based compensation

During the nine months ended September 30, 2017 no options were granted and the balance of 105,000 options which were outstanding as at December 31, 2016 expired unexercised.

(c) Per Share Amounts

For nine months ended September 30	2017	2016
Basic and Diluted :		
Loss per share	(0.17)	(0.01)
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	2017	2016
Interest expense (income), net and finance charges	(17)	(14)
Accretion and decommissioning liabilities (note 4)	3	2
	(14)	(12)

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,	December 31,
	2017	2016
Current assets	3,266	3,100
Current liabilities	(314)	(312)
Net working capital	2,952	2,788

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	2017	2016
Operating expenses	805	433
Petroleum and natural gas revenues	2,166	812
Royalties	862	331
General and administrative – management fees	135	135

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

As at September 30	2017	2016
Grizzly Resources Ltd.	6	234

The amounts outstanding at September 30, 2017 were settled by November 3, 2017.

Director fees

Director fees of \$7,500 have been recorded during the nine months of 2017 (\$7,500 – 2016) 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 \$207,000 has been recorded as at September 30, 2017 (\$1,026,000 – December 31, 2016). 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 internal reserve forecasts.

10. SUPPLEMENTAL DISCLOSURES

For the nine months ended September 30	2017	2016
Changes in non-cash working capital:		
Accounts receivable	106	(143)
Prepaid expenses	(1)	(13)
Accounts payable and accrued liabilities	2	(716)
	107	(872)
Relating to:		
Operating activities	107	(870)
Investing activities	-	(2)
	107	(872)

11. CONTINGENCIES

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.

While the outcome of these claims is uncertain, and there can be no assurance that such claims will be resolved in the Company's favor, the Company does not believe that the outcome of adverse decisions in any proceedings related to these claims, or any amount which it may be required to pay, would have a material adverse impact on its financial position.

12. SUBSEQUENT EVENT

On October 4, 2017 Ironhorse entered into an amalgamation agreement with privately-held Pond Technologies Inc. ("Pond") and a wholly-owned subsidiary of Ironhorse providing for the acquisition by Pond of Ironhorse by way of a three-cornered amalgamation. This transaction will constitute a reverse takeover and change of business of Ironhorse pursuant to the TSX Venture Exchange's policies. The transaction will require shareholder approval and is contingent on specific financing requirements by Pond.

On November 17, 2017, Ironhorse and Pond completed and mailed a joint information circular describing the proposed transaction to shareholders, which will require approval at the Annual and Special meeting to be held on December 18, 2017.