



turning the corner

2010 Second Quarter Interim Report
For the Three and Six Months Ended June 30, 2010

HIGHLIGHTS

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2010	2009	CHANGE	2010	2009	CHANGE
<i>(000s, except per share data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
Financial						
Commodity revenues ⁽¹⁾	23,474	17,405	35	51,316	38,863	32
Funds from operations ⁽²⁾	12,803	8,539	50	26,315	18,228	44
Per share – basic	0.22	0.21	5	0.47	0.45	4
Per share – diluted	0.21	0.20	5	0.45	0.44	2
Cash flow from operating activities	7,138	(3,799)	288	13,797	8,757	58
Net income (loss)	(955)	(2,248)	58	656	(2,937)	122
Per share – basic	(0.02)	(0.05)	60	0.01	(0.07)	114
Per share – diluted	(0.02)	(0.05)	60	0.01	(0.07)	114
Capital expenditures ⁽³⁾	167,876	29,020	478	253,173	46,795	441
Total assets	490,605	212,578	131	490,605	212,578	131
Net debt (working capital) ⁽⁴⁾	111,438	9,228	1,108	111,438	9,228	1,108
Shareholders' equity	321,212	167,231	92	321,212	167,231	92
<i>(000s)</i>	<i>(#)</i>	<i>(#)</i>	<i>(%)</i>	<i>(#)</i>	<i>(#)</i>	<i>(%)</i>
Common Share Data						
Shares outstanding						
At end of period	68,960	46,005	50	68,960	46,005	50
Weighted average – basic	58,403	40,918	43	56,547	40,112	41
Weighted average – diluted	59,711	41,772	43	57,894	40,965	41
			(%)			(%)
Operating						
Sales						
Natural gas (<i>mcf/d</i>)	26,571	25,899	3	27,877	26,143	7
NGLs (<i>bbls/d</i>)	2,346	3,009	(22)	2,587	3,046	(16)
Light crude oil (<i>bbls/d</i>)	515	146	253	411	155	165
Total oil equivalent (<i>boe/d</i>)	7,290	7,472	(2)	7,644	7,558	1
Average wellhead prices ⁽¹⁾						
Natural gas (<i>\$/mcf</i>)	4.44	3.63	22	4.84	4.17	16
NGLs (<i>\$/bbl</i>)	43.62	29.68	47	45.55	32.11	42
Light crude oil (<i>\$/bbl</i>)	73.20	54.35	35	74.84	51.14	46
Total oil equivalent (<i>\$/boe</i>)	35.39	25.60	38	37.09	28.41	31
Gross (net) wells drilled						
Gas (#)	2 (2.0)	2 (2.0)	– (–)	9 (8.3)	5 (3.9)	80 (113)
Oil (#)	7 (6.5)	– (–)	100 (100)	10 (8.4)	– (–)	100 (100)
Dry and abandoned (#)	– (–)	– (–)	– (–)	– (–)	3 (3.0)	-100 (-100)
Total (#)	9 (8.5)	2 (2.0)	350 (325)	19 (16.7)	8 (6.9)	138 (142)
Average working interest (%)	94	100	(6)	88	86	2

(1) Commodity revenues and prices include realized gains or losses from derivative instruments.

(2) Funds from operations and funds from operations per share are not recognized measures under Canadian generally accepted accounting principles. Refer to the Management's Discussion and Analysis for further discussion.

(3) Total capital expenditures, including acquisitions.

(4) Current assets less current liabilities and bank debt, excluding derivative instrument and related tax effect.

(5) For a description of the boe conversion ratio, refer to the commentary at the beginning of the Management's Discussion and Analysis.

Letter to Shareholders

During the second quarter ended June 30, 2010, Angle Energy Inc. made important strides to advance our Company to the next level in its corporate growth. This included the initial testing of the Viking oil prospect at Harmattan, adding key properties in our new Edson core area and successfully completing equity financings that will provide the financial platform required for per share growth into 2011. As a result, our Company is now producing over 10,000 boe/d with a market capitalization exceeding \$500 million.

COMPANY HIGHLIGHTS

Capital expenditures during the second quarter of 2010 totaled \$167.9 million, including \$124.1 million expended on property acquisitions. Of particular note, on June 30, 2010, Angle acquired 2,200 boe/d (80% natural gas, 20% light crude oil and NGLs) in the Edson area for approximately \$115.0 million. The following are the 2010 second quarter highlights:

- > Drilled 9 gross (8.5 net) wells with 100% success, 7 gross (6.5 net) wells targeting light oil reserves.
- > Production averaged 7,290 boe/d, impacted by the Keyera plant turnaround at Ferrier. We exited the quarter at approximately 10,500 boe/d.
- > Improved commodity revenues 35% to \$23.5 million.
- > Increased funds from operations to \$12.8 million, representing a 50% year-over-year increase.
- > Successful in Crown land sales, primarily for our Viking oil prospect, adding 21.6 sections (13,799 acres) at 100% working interest.
- > Completed two equity financings. On May 7, 2010, we raised \$46.8 million to accelerate our light crude oil drilling plans, and on June 30, 2010, we raised \$63.6 million to partially fund the Edson asset acquisition.
- > Expanded credit facilities to \$160.0 million from \$120.0 million concurrent with the Edson acquisition.

OPERATIONAL ACTIVITIES

A summary of the Company's second quarter activities by operational area are set out below.

Harmattan

Angle is the first company to successfully drill horizontal oil wells in the Viking formation at Harmattan. Our Company drilled the initial two wells on this play in the second quarter, testing different geographic areas of the land base. The test results (released June 14, 2010) are as follows:

- > The initial well (100% working interest) flowed 220 bbls/d of light crude and 1.0 mmcf/d of liquids-rich gas after a nine-day test. The well was placed on production early in the third quarter and is currently flowing at 220 bbls/d light oil and 0.8 mmcf/d natural gas.
- > The second test well (100% working interest) flowed at stable rates of 370 bbls/d light crude oil and 0.7 mmcf/d liquids-rich gas after a seven-day test. This well is in the process of being tied in and will be placed on production in the third quarter.

Angle's goal for Harmattan is to have four or five producing Viking oil wells by year-end, proving diverse areas of the prospect base and yielding production information to allow recovery factor forecasts. Currently, our Company holds approximately 85 undeveloped sections at 97% working interest prospective for the Viking formation. Of this position, we estimate 64 sections are oil prone with the remainder prospective for liquids-rich gas.

This prospect development, together with strategic land acquisitions, have broadened the scope of our 2010/2011 drilling programs and increased our Company's light oil project exposure. Angle's focus at Harmattan is to develop two light oil resource plays in the Viking and Cardium sands as well as a liquids-rich (190 bbl/mmcf) gas play in the Mannville formation.

Current drilling and completion activity in the Harmattan area includes:

- > Drilling an Elkton horizontal well (100% working interest), targeting liquids-rich natural gas and an increased recovery factor on Angle's Elkton pool (cumulative raw production of 16.8 bcf to date), currently developed with vertical wells only.
- > Drilling the first horizontal well into the Mannville 'B' sand, targeting higher recovery factors in this liquids-rich gas condensate pool.
- > Conducting completion operations on Angle's first horizontal Cardium oil well with early test results due in mid-August.

Lone Pine Creek

At Lone Pine Creek, Angle successfully drilled two horizontal wells: one targeting oil and the second well targeting liquids-rich gas in the Wabamun formation. Both wells are at 100% working interest. The test results are as follows:

- > The liquids-rich gas well was drilled several miles northwest of the Company's first quarter extension of the Lone Pine Creek Wabamun pool. After completion, the well flowed for three days with a final rate of 7.0 mmcf/d at a tubing pressure of 1,570 PSIG. The well will be brought on production late in the third quarter.
- > The oil well was drilled as a follow-up to the initial discovery made in the first quarter of 2010. The well tested at swab rates of 100 bbls/d with minimal gas production. Currently, the well is producing 30 bbls/d.

The Company is encouraged by the second high rate test in the gas play and views significant upside in the drilling of offsets to these two wells. Angle's 100% owned pipeline project, consisting of a 13-kilometre, 8-inch line, is on schedule and is expected to be completed early in the fourth quarter of 2010 and will initially add in excess of 1,000 boe/d in the first phase of operation. Third party compressor limitations are being addressed to allow the full capability of the 8-inch line (capacity of 20.0 mmcf/d) to be realized by early 2011.

The present plan for the Wabamun oil project is to monitor production performance of the initial two wells in order to best design an exploitation strategy. No further wells in the oil play are scheduled to be drilled in 2010.

Current drilling and completion activity in this project area include:

- > Drilling a Wabamun horizontal well (100% working interest) approximately five kilometres northwest of the last gas test. The well will target liquids-rich natural gas.

The Lone Pine Creek area is comprised of 65 sections of land at 100% working interest with a drilling inventory exceeding 80 wells, representing approximately five years of development.

Ferrier

At Ferrier, Angle successfully drilled four horizontal wells at 86% average working interest targeting Cardium oil. As at the date of this report, three of these wells have been completed. The test results are as follows:

- > A 100% working interest Cardium oil well was pipeline connected following completion and has been on-stream for approximately 17 days, with average rates of 218 bbls/d light oil and 2.1 mmcf/d of liquids-rich gas. The well is flowing at current rates of 250 bbls/d of light crude and 3.4 mmcf/d of liquids-rich gas. The well has produced over 3,700 bbls of new oil to date.
- > A 100% working interest Cardium oil well was brought on production, and after one month, the well is flowing at rates of 50 bbls/d and 0.3 mmcf/d. A pump will be installed to increase production from this well.
- > A 45% working interest Cardium oil well was brought on pump production, producing at rates of 80 bbls/d and 0.2 mmcf/d after one month.

The Company is encouraged by its improvements in the Cardium play, with the most recent test at over 250 bbls/d of light oil and 3.4 mmcf/d of liquids-rich gas conducted in a higher pressure area of the oil accumulation. The initial four wells drilled in the play were found to have less than 50% of the original reservoir pressure, based on pressure surveys conducted during the Strachan plant turnaround at Ferrier.

Angle has drilled a total of six horizontal wells at an average working interest of 65% in the Cardium oil play with 100% success. The Ferrier Cardium sand is a significant oil accumulation, having yielded recoveries from original vertical wells in excess of 85 mmbbls, as publicly reported on April 30, 2010. Angle is pleased with the progress made to date on this project and has identified up to 75 drilling locations at an average working interest of 78%.

Edson

Aside from the asset acquisition that closed on June 30, 2010, Angle's second quarter activities at Edson included:

- > A Falher liquids-rich gas horizontal well (100% working interest) was drilled and completed yielding average test rates of 3.0 to 4.0 mmcf/d, with rates as high as 6.0 mmcf/d, after seven days of flow. The well was placed on-stream into restricted facilities and has been producing for two months at average rates of 1.6 mmcf/d.
- > A vertically drilled Gething well (100% working interest) was completed and tested at rates of 1.6 mmcf/d. The well is currently facility constrained and is expected to be brought on production concurrent with the expansion of the Angle 100% owned Edson gas plant.

The Edson gas plant expansion is due to begin operations in early October, increasing area capacity from 6.0 to 20.0 mmcf/d. Our goal is to fill the expanded capacity by year-end with a combination of new volumes and existing volumes that are presently entering third party facilities.

OUTLOOK

Angle's current production is approximately 10,500 boe/d, with over 2,000 boe/d of productive capacity that has been tested and is in various stages of being tied in. This includes approximately 600 boe/d that will be tied in in normal course at Harmattan during the third quarter, while the remaining 1,400 boe/d is expected to be on-stream by the fourth quarter of 2010 following completion of both the gas plant expansion at Edson (approximately 400 boe/d) and the pipeline at Lone Pine Creek (approximately 1,000 boe/d). The pipeline project is currently on schedule per expectations, with a projected start-up early in the fourth quarter. Unforeseen regulatory delays may impact the timing of the two projects, although none are

expected at this time. The Company's guidance reflects current best estimates and is maintained at 9,600 to 10,000 boe/d average for 2010 due to on-stream timing for new well production.

Angle's 2010 second half capital expenditure program reflects a significantly increased pace of investment in our Harmattan Viking light oil program and Edson Deep Basin gas program, while continuing to advance our other key resource plays. Development capital of approximately \$76 million (before drilling credits) has been allocated to our core areas as follows:

- > Harmattan Viking and Cardium (light oil), Mannville 'B' and Elkton (liquids-rich gas)
 - up to 7 wells at 100% working interest
 - \$26 million
- > Lone Pine Creek Wabamun (liquids-rich gas)
 - up to 3 wells at 100% working interest
 - \$14 million
- > Ferrier Cardium (light oil) and Ostracod (liquids-rich gas)
 - up to 3 wells at 100% working interest
 - \$7 million
- > Edson Falher, Notikewin and Viking (liquids-rich gas), Cardium (light oil and liquids-rich gas)
 - up to 11 gross (7.0 net) wells
 - \$29 million

Finally, we are pleased to welcome Mr. Jacob Roorda to our Board of Directors effective August 3, 2010. Mr. Roorda has thirty years of extensive multi-disciplinary experience in oil and natural gas exploration and production, strategic planning, business development, asset evaluation, acquisition and investment banking. He is currently a director of two other exploration and production companies and Vice Chairman of an investment management firm that manages a large diversified income trust. Mr. Roorda is a Professional Engineer and holds a Master of Business Administration.

Angle will continue to drive towards becoming an intermediate crude oil and natural gas producer. We look forward to reporting the results of our ongoing activities in the next interim report.

On behalf of the Management and Board of Directors,



Heather Christie-Burns
President & Chief Operating Officer
August 5, 2010



D. Gregg Fischbuch
Chief Executive Officer

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reports on the financial condition and the results of operations of Angle Energy Inc. ("Angle" or the "Company") for the three and six months ended June 30, 2010 and 2009 and should be read with the accompanying June 30, 2010 unaudited consolidated financial statements and notes as well as the audited consolidated financial statements and notes for the year ended December 31, 2009. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at, and is dated August 3, 2010.

Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of crude oil using a conversion factor of six thousand cubic feet of gas to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalent conversion for the individual products, primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Such disclosure of boes may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

NON-GAAP MEASUREMENTS

This MD&A contains the terms "funds from operations", "funds from operations per share", "funds flow netback" and "net income netback", which should not be considered an alternative to or more meaningful than net earnings or cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. These terms do not have any standardized meaning as prescribed by GAAP. Angle's determination of funds from operations, funds from operations per share, funds flow netback and net income netback may not be comparable to that reported by other companies. Management uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt. Funds from operations is calculated using cash flow from operating activities as presented in the consolidated statement of cash flows before changes in non-cash working capital and settlement of retirement costs. Angle presents funds from operations per share, which is prohibited under GAAP. Per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. The following table reconciles funds from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
Cash flow from operating activities	7,138	(3,799)	13,797	8,757
Changes in non-cash working capital	5,665	12,338	12,518	9,471
Funds from operations	12,803	8,539	26,315	18,228

FUTURE OUTLOOK AND FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "predict", "project", "should", "target", "will" or similar words suggesting future outcomes or language suggesting an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct, and as a result, such forward-looking statements included in this MD&A should not be unduly relied upon.

MATERIAL ASSUMPTIONS ON FORWARD-LOOKING INFORMATION

The Company's presentation of forward-looking information is based on internally generated budgets relating to drilling plans and related costs, expected results from drilling as well as estimated royalties, operating costs and administrative expenses. Angle bases the commodity pricing for budget purposes on a range of publicly available pricing forecasts and also considers general economic conditions.

Production and Sales Rates

During 2010, Angle expects that production and sales of natural gas, NGLs and light crude oil will average between 9,600 and 10,000 boe/d. There are many factors that could result in production levels being less than anticipated, including: greater than anticipated declines in existing production due to poor reservoir performance, mechanical failures or inability to access or construct production facilities; the unanticipated encroachment of water or other fluids into the producing formation; and, the inability to drill, complete and tie-in wells on schedule due to a lack of oilfield services being available on a cost efficient basis, poor weather, the inability to negotiate surface access with the landowners, or regulatory delays in obtaining all necessary drilling and production approvals.

Production Mix

The Company anticipates that its 2010 product volume mix will approximate 64% natural gas and 36% NGLs and light crude oil. This product volume mix differs from that realized in 2009 due to expected increased production from the Lone Pine Creek area, which has lower NGLs recoveries from the raw gas produced. This expectation may not be met if the wells are not drilled when expected (see "Drilling Program" below) or if the wells do not produce as expected (see "Production and Sales Rates" above).

Commodity Prices

For purposes of its forecast for 2010, the Company has assumed that the natural gas price at AECO for spot delivery will average \$4.50/mcf and that the crude oil price will average \$80/bbl Edmonton Par. There are many risks that may result in commodity prices being less than expected. The price of natural gas in North America is primarily related to the domestic supply and demand equation. Demand is primarily affected by heating requirements in winter and cooling requirements in summer, with warm winters and/or cool summers having a negative demand influence. Supplies are generally domestic and respond to prices, but an increase in the deliverability of global NGLs into the North American market can also, at times, influence the supply situation.

The price of crude oil is set in U.S. dollars on the world market and is influenced by global supply and demand factors as well as exogenous events, such as terrorist activity in oil exporting countries. The current slowdown in economic growth due to recession in several of the world's major economies could further reduce both the demand and price for crude oil.

Canadian producers realize a Canadian dollar price for natural gas, NGLs and crude oil, all of which are determined in large part by the U.S. dollar price for such products adjusted for the U.S. to Canadian dollar exchange rate. The exchange rate is influenced by many factors, which have and will continue to result in high volatility.

Royalty Rates

Angle expects that royalty rates during 2010 will average in the range of 23% to 25% of gross revenue, before realized or unrealized derivative gains or losses. This royalty rate expectation has resulted from the Company's view on commodity prices and increased sales from Crown lands. Total royalties are the combination of Crown royalties paid on Crown lands and freehold royalties paid on freehold lands. In addition, gross overriding royalties are payable on lands in which the Company has earned an interest by way of farm-in, whether the lands are Crown or freehold. Total royalties payable are a function of the mix between Crown and freehold lands as the rates are different.

The Government of Alberta announced a three-point incentive program to stimulate new and continued economic activity in Alberta. For new wells drilled between April 1, 2009 and March 31, 2011 on Crown lands, the program provides a credit of \$200 per metre drilled and caps royalties at 5% for the first 12 months of production up to a maximum of 500 mmcf of natural gas or 50 mbbls of oil.

On March 11, 2010, the Alberta government announced the release of its long-anticipated Competitiveness Review and the government's formal response to the results of that review. The government has committed to two broad courses of action in response: lowering royalty rates on conventional oil and gas production and streamlining regulatory processes for oil and gas developers. With several exceptions, the specifics of both the royalty and regulatory changes were not announced and will be implemented during the remainder of 2010. The most notable exceptions are the commitments to, as of January 1, 2011: (i) reduce the maximum conventional oil royalty from 50% to 40%; (ii) reduce the maximum conventional natural gas royalty from 50% to 36%; and (iii) make the current incentive "front-end" royalty for the first year of conventional oil or conventional gas production (maximum 5%) permanent as of January 1, 2011, instead of expiring on March 31, 2011. The Company will continue to monitor any further amendments to the incentive program and will update its plans as required.

Operating Costs

The Company expects operating and transportation costs to average approximately \$6.25 to \$6.35/boe for 2010. Operating costs in the Lone Pine Creek and Edson areas are expected to be higher than in the Harmattan and Ferrier areas, and as production from these areas grows in proportion to the Company's total, the blended operating costs are expected to increase.

Risks to operating cost increases relate to general oilfield service costs, which tend to increase in periods of high industry activity and decrease as activity levels decline.

General and Administrative ("G&A") Costs

Angle anticipates that G&A expenses for 2010 will be approximately \$2.20 to \$2.30/boe, net of capitalized amounts. Risks that G&A costs will exceed this amount relate to higher than expected employee costs necessarily incurred by the Company to retain key employees in a competitive market, the need to hire more staff than originally anticipated and general cost inflation.

Capital Expenditures

Angle expects to incur between \$160 million and \$165 million for capital expenditures in 2010, excluding the acquisition of Stonefire Energy Corp. that was completed January 12, 2010, the Edson property acquisition that was completed June 30, 2010, any potential future acquisition activity and the impact of the Alberta Crown drilling credit incentive program. Angle's capital expenditures will consist of costs for drilling, completions, equipment, tie-ins, land and seismic. This is based on the assumption that the Company drills 42 gross (35 net) wells during the year. The capital program during 2010 is flexible, depending on commodity prices and any changes to the Alberta Crown royalty incentive programs. Increases in capital costs from budgeted amounts can occur for the following reasons: general cost inflation in the industry resulting from high utilization rates; poor weather that can delay activity and subject the Company to stand-by charges; and, problems encountered in drilling a well that can result in additional drilling time or, in some cases, losing the well entirely.

Drilling Program

The Company expects to drill 42 gross (35 net) wells during 2010. The drilling program is a key assumption in the production estimates for the period discussed above. The risk that Angle will not meet its drilling targets is attributable to the following: lack of access to drilling rigs and related equipment at sites; delays in obtaining landowner consent for surface access; and, delays in obtaining well licences and drilling permits.

Drilling Success

During 2010, the Company expects to add reserves from its drilling activities. In arriving at such expectations, Angle undertakes a risking process where each well is assigned a probability of success and the expected reserves that would be added in a success case. The basis for such assessment is a combination of geological, geophysical and reservoir engineering analysis, including reviewing analog reserves in the area of interest. There are many risks that a well may not add the reserves anticipated, including: poor reservoir rock due to low permeability and/or low porosity that inhibits production; the non-existence of the targeted zone due to erosion; the lack of an effective reservoir seal, preventing the migration of hydrocarbons; presence of water in the zone; damage to the zone from the drilling process; and, competitive drainage from offsetting acreage not owned by the Company.

Future Prospects

Angle intends to continue generating and developing its own prospects and acquiring lands directly as well as through farm-ins as part of its business strategy. To do so requires that appealing opportunities become available within the timeframe suitable to the Company, that Angle has the necessary human and financial resources to pursue and capture such opportunities, and that the Company is able to prevail over its competitors pursuing the same projects. Risks in achieving such growth plans relate to a lack of adequate staffing or capital, or to an overly competitive market where other industry participants are prepared to pay more for a prospect than what Angle would consider prudent.

Market Conditions

Management is aware that equity market conditions may not always be conducive to raising funds through treasury issues of common shares. However, the Company has the financial capability to continue its 2010 capital program through funds from operations and available credit under the existing bank line without the need to access capital markets.

General

Statements relating to “reserves” are also deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors and assumptions set forth above and elsewhere in this MD&A.

These factors should not be considered as exhaustive. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Consequently, there are no representations by the Company that actual results achieved will be the same in whole or in part as those set out in the forward-looking information. Furthermore, the forward-looking statements contained in this MD&A are made as of the date hereof, and the Company undertakes no obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

BASIS OF PRESENTATION

Angle is a public company that was incorporated under the laws of Alberta on January 23, 2004 and commenced active oil and gas operations in 2005. This MD&A focuses on the Company's operations for the three and six months ended June 30, 2010 and 2009.

OPERATING RESULTS

Drilling Activity

	EXPLORATION		DEVELOPMENT		TOTAL	
	GROSS	NET	GROSS	NET	GROSS	NET
	(#)	(#)	(#)	(#)	(#)	(#)
January 1 to June 30, 2010						
Natural gas and NGLs	2	2.0	7	6.3	9	8.3
Light crude oil	2	2.0	8	6.4	10	8.4
Dry and abandoned	–	–	–	–	–	–
Total wells	4	4.0	15	12.7	19	16.7
Success rate (%)		100		100		100
Average working interest (%)		100		85		88
January 1 to June 30, 2009						
Natural gas and NGLs	–	–	5	3.9	5	3.9
Light crude oil	–	–	–	–	–	–
Dry and abandoned	3	3.0	–	–	3	3.0
Total wells	3	3.0	5	3.9	8	6.9
Success rate (%)		–		100		57
Average working interest (%)		100		78		86

For the six months ended June 30, 2010, Angle drilled 19 gross (16.7 net) wells of which 7 gross (5.4 net) wells were at Ferrier (5.4 net development), 6 gross (6.0 net) wells were at Lone Pine Creek (2.0 net exploratory and 4.0 net development), 4 gross (3.3 net) wells were at Edson (1.0 net exploratory and 2.3 net development) and 2 gross (2.0 net) wells were at Harmattan (1.0 net exploratory and 1.0 net development). The Company's success rate is calculated on a net working interest completion basis.

Capital Expenditures

Angle has been very active in both the first and second quarters of 2010, especially in drilling, construction, acquisition of producing assets and land expenditures. Capital expenditures for the three and six months ended June 30, 2010 and 2009 are summarized in the following table:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
Drilling and completions	24,751	4,220	48,358	16,735
Drilling credits	(1,258)	(540)	(4,948)	(540)
Equipment and facilities	9,478	1,642	13,027	5,831
Geological and geophysical	487	82	1,169	298
Land and lease retention	10,094	896	24,715	1,569
Acquisitions	124,071	22,451	170,219	22,451
Head office	43	69	162	88
Capitalized G&A and other	210	200	471	363
Total	167,876	29,020	253,173	46,795

For the second quarter of 2010, drilling and completions expenditures totaled \$24,751,000 (2009 – \$4,220,000) that involved the drilling of 9 gross (8.5 net) successful wells, with 2 wells drilling at period-end. In the comparative quarter of 2009, the Company drilled 2 gross (2.0 net) wells, both of which were successful. During the three months ended June 30, 2010, Angle recognized \$1,258,000 in Crown drilling credits (2009 – \$540,000).

Drilling and completions expenditures totaled \$48,358,000 for the six months ended June 30, 2010 (2009 – \$16,735,000), which involved the participation in 19 gross (16.7 net) successful wells. In the comparative period of 2009, the Company drilled 8 gross (6.9 net) wells of which 5 gross (3.9 net) wells were cased, while the remaining 3 gross (3.0 net) wells were unsuccessful.

The Company's expenditures on facilities totaled \$9,478,000 for the three-month period ended June 30, 2010 (2009 – \$1,642,000) and \$13,027,000 for the six-month period ended June 30, 2010 (2009 – \$5,831,000). Costs were incurred primarily for wellsite facilities and related gathering pipelines as well as initial construction on a plant expansion at Edson and a 13-kilometre, 8-inch sour pipeline at Lone Pine Creek.

Angle has been active in Crown land purchases in 2010 in order to position the Company for increased drilling activity, primarily in the Harmattan area where it is focusing on light oil targets. Land purchases and lease retention costs incurred in the second quarter of 2010 totaled \$10,094,000 (2009 – \$896,000). Angle was successful in Crown land sales during the 2010 three-month period, and as a result, added an additional 21.6 sections or 13,799 acres, at 100% working interest, to its total land inventory. During the first six months of 2010, the Company expended \$24,715,000 (2009 – \$1,569,000) in land purchases and lease retention costs.

On June 30, 2010, Angle acquired certain interests in petroleum and natural gas properties in the Edson area for cash consideration of \$116,800,000 (including transaction costs of approximately \$1,800,000), with associated asset retirement obligations of \$1,172,000. These amounts are estimates made by management based on currently available information. Revisions may be made as cost estimates and balances are finalized, as is customary in an asset acquisition. A final statement of adjustments is due 12 months following the close of the acquisition, which may result in changes to the final balances.

In June 2010, Angle acquired an additional working interest in several wells and a compression facility in the Ferrier area for cash consideration of \$7,271,000, with associated asset retirement obligations of \$46,000. These amounts are estimates made by management based on currently available information. Revisions may be made as cost estimates and balances are finalized, as is customary in an asset acquisition. A final statement of adjustments is due 12 months following the close of the acquisition, which may result in changes to the final balances.

On January 12, 2010, Angle acquired all of the issued and outstanding shares of Stonefire Energy Corp. ("Stonefire") for cash consideration of \$46,650,000. The operations of Stonefire have been included with the results of Angle commencing January 12, 2010. Refer to note 3 of the unaudited consolidated financial statements for further details.

FINANCIAL AND OPERATING RESULTS OF OIL AND GAS ACTIVITIES

Sales, Revenue and Prices

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
Sales				
Natural gas sales (mcf/d)	26,571	25,899	27,877	26,143
NGLs sales (bbls/d)	2,346	3,009	2,587	3,046
Light crude oil sales (bbls/d)	515	146	411	155
Total sales (boe/d)	7,290	7,472	7,644	7,558
Total sales (boe)	663,356	679,960	1,383,642	1,367,984
(000s)	(\$)	(\$)	(\$)	(\$)
Revenue				
Natural gas	9,875	8,554	23,563	19,728
Realized derivative gain	855	–	855	–
Total natural gas	10,730	8,554	24,418	19,728
NGLs	9,311	8,127	21,325	17,703
Light crude oil	3,433	724	5,573	1,432
Total revenue before unrealized derivative gain	23,474	17,405	51,316	38,863
Unrealized derivative gain (loss)	(708)	–	1,090	–
Total revenue	22,766	17,405	52,406	38,863
Average Prices				
Natural gas sales price (\$/mcf)	4.08	3.63	4.67	4.17
Realized derivative gain (loss) (\$/mcf)	0.36	–	0.17	–
Total natural gas sales price (\$/mcf)	4.44	3.63	4.84	3.63
NGLs sales price (\$/bbl)	43.62	29.68	45.55	32.11
Light crude oil sales price (\$/bbl)	73.20	54.35	74.84	51.14
Total sales price (\$/boe)	35.39	25.60	37.09	28.41

For the three months ended June 30, 2010, revenue was \$23,474,000 compared to \$17,405,000 for the same period in 2009 (before unrealized derivative gains). Sales volumes during the second quarter of 2010 averaged 7,290 boe/d versus 7,472 boe/d a year ago and 8,003 boe/d recorded in the first quarter of 2010. Angle posted a 2% year-over-year decrease in sales volumes and a 38% increase in price on a per boe basis with natural gas rising 22%, NGLs improving 47% and light crude oil increasing 35%, resulting in a 35% increase in revenue for the 2010 three-month period. Angle's sales volumes decreased compared to the first quarter of 2010 due to a plant turnaround in the Ferrier area, which resulted in all of Angle's production in the area being shut in for 17 days.

During the three months ended June 30, 2010, Angle's product volume mix was 61% natural gas, 32% NGLs and 7% light crude oil. It is expected that the Company's light crude oil production will increase throughout the balance of 2010 due to a greater focus on oil drilling operations planned for the remainder of the year.

In the fourth quarter of 2009, Angle added its third core producing area of operations when production commenced at Lone Pine Creek and, in the first quarter of 2010, added its fourth core area at Edson through the acquisition of Stonefire that closed on January 12, 2010. During the three months ended June 30, 2010, Angle was active in the Lone Pine Creek, Ferrier and Edson areas. During the second quarter of 2010, Harmattan contributed approximately 52% of the Company's total sales volumes, Ferrier contributed 30%, Edson contributed 16% and the remaining sales volumes came from Lone Pine Creek. Angle expects the proportionate share of sales volumes from Lone Pine Creek to increase during the remainder of 2010.

The Company's drilling operations primarily target natural gas that is rich in associated NGLs. Angle's NGLs are comprised of approximately 32% ethane, 26% propane, 15% butane and 27% condensate. The price received for its NGLs is based on this mix, with condensate having the highest value of the NGLs stream.

Angle's production is sold within Canada and it is sensitive to North American natural gas and world crude oil price variations in addition to Canada/U.S. currency exchange rate changes. The Company's production is sold through multiple purchasers.

The Company has fixed the price applicable to future sales through the following contract, on which \$1,316,000 in fair value had been recorded at June 30, 2010:

NATURAL GAS	VOLUME	PRICING POINT	STRIKE PRICE	TERM
Fixed Price/Financial	5,000 GJ/d	AECO	CDN\$5.535/GJ	Apr.1/10 – Oct.31/10

Royalties

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
Total revenue before unrealized derivative gain/loss	23,474	17,405	51,316	38,863
Royalties				
Crown	1,021	1,443	5,800	6,202
Other	2,221	2,135	5,195	4,672
Total royalties	3,242	3,578	10,995	10,874
	(%)	(%)	(%)	(%)
% of Revenue				
Crown	4	9	11	16
Other	10	12	10	12
Total	14	21	21	28

For the second quarter of 2010, the Company recorded total royalties of \$3,242,000 or 14% of revenue versus \$3,578,000 or 21% of revenue for the same period in 2009.

During the first six months of 2010, total royalties were \$10,995,000 or 21% of revenue compared to \$10,874,000 or 28% of revenue a year ago.

Although other royalties are relatively consistent throughout the reporting periods presented, Angle's Crown royalties declined to 4% and 11% for the three and six months ended June 30, 2010, respectively, from an average of 9% and 16% for the comparative periods a year ago. These decreases were primarily due to Angle receiving a favourable gas cost allowance annual adjustment in the second quarter of 2010 that totaled approximately \$1,000,000. Without the annual adjustment, the Crown royalty rate would have been approximately 9% and 13% for the 2010 second quarter and six-month periods, respectively. In addition, gains on the natural gas derivative contract resulted in higher gas revenue with no royalties being paid on the realized gains.

Operating Expenses

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
Operating expenses	3,704	2,864	7,420	5,930
Transportation expenses	417	235	840	483
Total operating expenses	4,121	3,099	8,260	6,413
Total operating expenses (\$/boe)	6.21	4.56	5.97	4.69

Total operating expenses were \$4,121,000 or \$6.21/boe for the 2010 three-month period versus \$3,099,000 or \$4.56/boe a year ago.

During the first half of 2010, the Company incurred operating expenses of \$8,260,000 or \$5.97/boe compared to \$6,413,000 or \$4.69/boe in the 2009 period. The year-over-year increase for both the three and six-month periods was due to several factors, including a plant turnaround at Ferrier and a compressor overhaul at Edson during the second quarter that resulted in lower production volumes and increased costs, as well as property tax expenses and increased operating costs in the Company's two new core areas at Lone Pine Creek and Edson in general.

General and Administrative ("G&A") Expenses and Stock-Based Compensation

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
G&A expenses	2,867	2,456	5,241	4,007
G&A capitalized (direct)	(210)	(200)	(471)	(363)
G&A recoveries via operations	(524)	(115)	(712)	(346)
G&A expenses (net)	2,133	2,141	4,058	3,298

G&A net expenses totaled \$2,133,000 for the three months ended June 30, 2010 versus \$2,141,000 in the comparable period a year ago. Angle had 31 professional staff during the second quarter of 2010 versus 23 staff in the same period of 2009. During the second quarter of 2010, the Company capitalized \$210,000 (2009 – \$200,000) in direct costs relating to its exploration and development staff salaries and \$524,000 (2009 – \$115,000) relating to operator recoveries on capital expenditures.

During the 2010 three-month period, Angle recorded non-cash stock-based compensation expense of \$687,000 (2009 – \$325,000) and capitalized \$155,000 (2009 – \$128,000) for total stock-based compensation of \$842,000 (2009 – \$453,000). The increase in total stock-based compensation was due to a higher number of outstanding options related to increased staff levels in 2010 compared to 2009.

G&A net expenses totaled \$4,058,000 for the first half of 2010 compared to \$3,298,000 in the same period a year ago. During the six months ended June 30, 2010, the Company capitalized \$471,000 (2009 – \$363,000) in direct costs relating to its exploration and development efforts and \$712,000 (2009 – \$346,000) relating to operator recoveries on capital expenditures. G&A recoveries have increased in conjunction with higher capital spending in 2010 for both the three and six-month periods ended June 30, 2010 compared to the same periods in 2009.

During the first six months of 2010, Angle recorded non-cash stock-based compensation expense of \$1,266,000 (2009 – \$712,000) and capitalized \$313,000 (2009 – \$247,000) for total stock-based compensation of \$1,579,000 (2009 – \$959,000). The Company's G&A expenses and stock-based compensation rose in part due to the increase in staffing to properly manage increased activities, finance fees related to the credit facility and increased ongoing costs due to public reporting requirements.

Interest Expense

Interest expense incurred totaled \$1,133,000 and \$1,563,000 for the three and six months ended June 30, 2010, respectively, compared to \$48,000 and \$50,000 in the comparable periods a year ago. The year-over-year increases were due to the increased utilization of the Company's credit facilities in 2010 as well as commitment fees paid on the expansion of the borrowing base from \$88,000,000 at year-end 2009 to \$160,000,000 at June 30, 2010.

Netbacks (per unit)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
	(\$/boe)	(\$/boe)	(\$/boe)	(\$/boe)
Sales prices	35.39	25.60	37.09	28.41
Royalties	(4.89)	(5.26)	(7.95)	(7.95)
Operating	(6.21)	(4.56)	(5.97)	(4.69)
Operating netback	24.29	15.78	23.17	15.77
G&A and other (excludes non-cash items)	(3.22)	(3.15)	(2.93)	(2.41)
Interest expense	(1.71)	(0.07)	(1.13)	(0.04)
Funds flow netback ⁽¹⁾	19.36	12.56	19.11	13.32
Stock-based compensation	(1.03)	(0.48)	(0.92)	(0.52)
Depletion, depreciation and accretion	(19.01)	(15.57)	(18.32)	(15.29)
Unrealized gain (loss) on derivative instrument	(1.07)	–	0.79	–
Future tax reduction (expense)	0.31	0.18	(0.19)	0.34
Net income (loss) netback	(1.44)	(3.31)	0.47	(2.15)

(1) Non-GAAP measure: refer to disclosure on non-GAAP measure. Funds flow netback is calculated by dividing funds flow by the sales volume in boes for the period then ended.

(2) For a description of the boe conversion ratio, refer to the commentary at the beginning of this MD&A.

Angle's operating netback was \$24.29/boe and \$23.17/boe for the three and six months ended June 30, 2010, respectively, compared to \$15.78/boe and \$15.77/boe recorded in the same periods of 2009. The Company's operating netbacks were positively impacted by the year-over-year increase in commodity prices and a temporary reduction in Crown royalties, slightly offset by higher operating expenses on a per unit basis.

Funds From Operations

Funds from operations totaled \$12,803,000 or \$0.22 per basic and \$0.21 per diluted share during the second quarter of 2010 versus \$8,539,000 or \$0.21 per basic and \$0.20 per diluted share in the same period of 2009.

For the six months ended June 30, 2010, the Company recorded funds from operations of \$26,315,000 or \$0.47 per basic and \$0.45 per diluted share compared to \$18,228,000 or \$0.45 per basic and \$0.44 per diluted share in the same period of 2009. Refer to the beginning of this MD&A section for discussion and reconciliation of funds from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP.

Cash Flow From Operating Activities

Cash flow from operating activities totaled \$7,138,000 or \$0.12 per basic and diluted share during the three months ended June 30, 2010 compared to a deficit of \$3,799,000 or \$0.09 per basic and diluted share a year ago.

During the first half of 2010, the Company's cash flow from operating activities was \$13,797,000 or \$0.24 per basic and diluted share versus \$8,757,000 or \$0.22 per basic and \$0.21 per diluted share in 2009.

Depletion, Depreciation and Accretion ("DD&A")

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
DD&A provision (\$000s)	12,611	10,589	25,345	20,915
DD&A provision (\$/boe)	19.01	15.57	18.32	15.29

The DD&A provision for the second quarter of 2010 was \$12,611,000 or \$19.01/boe compared to \$10,589,000 or \$15.57/boe recorded in the same period of 2009. The 19% increase in DD&A was primarily due to an increase in the per unit rate that resulted from the addition of the Edson assets acquired during the quarter, which carry higher DD&A per boe of reserves.

For the six months ended June 30, 2010, the DD&A provision was \$25,345,000 or \$18.32/boe compared to \$20,915,000 or \$15.29/boe recorded in the same period of 2009. The increase in DD&A was primarily due to an increase in the per unit rate that resulted from the addition of the Stonefire assets acquired during the first quarter of 2010 and the Edson assets acquired during the second quarter of 2010, all of which carry higher DD&A per boe of reserves.

Income Taxes

A future income tax reduction of \$206,000 was recognized for the three months ended June 30, 2010 compared to \$127,000 recorded in the same period of 2009.

Future income tax expense totaled \$263,000 during the first six months of 2010 versus a reduction of \$462,000 recorded in the comparable period of 2009.

Net Income (Loss)

The Company recorded a net loss of \$955,000 or \$0.02 per basic and diluted share during the second quarter of 2010 compared to a net loss of \$2,248,000 or \$0.05 per basic and diluted share in the same period a year ago.

For the six months ended June 30, 2010, Angle recorded net income of \$656,000 or \$0.01 per basic and diluted share versus a net loss of \$2,937,000 or \$0.07 per basic and diluted share in the comparative period of 2009.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the change in working capital (net debt) during the six months ended June 30, 2010 and the year ended December 31, 2009:

	SIX MONTHS ENDED JUNE 30, 2010	YEAR ENDED DECEMBER 31, 2009
(000s)	(\$)	(\$)
Working capital (net debt) – beginning of period	38,255	(8,960)
Funds from operations	26,315	40,154
Issue of capital stock for cash (net of share issue expense)	105,144	71,636
Capital expenditures	(82,954)	(64,575)
Acquisitions	(170,219)	–
Debt and working capital deficiency acquired on corporate acquisition	(27,979)	–
Working capital (net debt) – end of period	(111,438)	38,255

Since inception on January 23, 2004 to June 30, 2010, Angle has raised funds through treasury equity issues in the amount of \$287,645,000 (net of share issue expenses and normal course issuer bid) at share prices ranging from \$0.60 to \$8.00 per common share.

The Company exited the period with net debt of \$111,438,000 compared to available credit lines of \$160,000,000.

The amount of the credit facility is subject to a borrowing base test performed on a semi-annual basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders. The next semi-annual review of the credit facility is scheduled to take place on or before October 31, 2010.

Other liabilities included in working capital consist primarily of trade payables and accrued liabilities. Management expects to be able to fully meet all current obligations when due with funding provided by a combination of accounts receivable collections, funds from operations and available credit facilities.

In order to protect a portion of the Company's revenue stream, Angle will periodically enter into forward sales contracts for its commodities. At June 30, 2010, the Company had entered into a fixed price contract on a portion of its production for the period April 1 to October 31, 2010 (see "Financial and Operating Results of Oil and Gas Activities" above).

As at August 3, 2010, Angle had 68,985,498 common shares and 4,785,050 stock options issued and outstanding.

SELECTED QUARTERLY INFORMATION

THREE MONTHS ENDED	JUN. 30, 2010	MAR. 31, 2010	DEC. 31, 2009	SEP. 30, 2009	JUN. 30, 2009	MAR. 31, 2009	DEC. 31, 2008	SEP. 30, 2008
<i>(000s, except per share data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Total assets	490,605	334,973	246,465	212,040	212,578	191,682	186,985	192,179
Total sales <i>(boe/d)</i>	7,290	8,003	7,446	7,552	7,472	7,645	7,628	7,280
Oil and gas revenues ⁽¹⁾	23,474	27,842	23,652	17,483	17,405	21,458	28,591	39,243
Funds from operations	12,803	13,512	13,227	8,699	8,539	9,689	15,688	21,017
Per share – basic	0.22	0.25	0.27	0.19	0.21	0.25	0.41	0.54
Cash flow from operating activities	7,138	6,659	14,179	4,907	(3,799)	12,556	13,892	31,770
Net income (loss)	(955)	1,611	1,801	(1,896)	(2,248)	(689)	2,790	13,071
Per share – basic	(0.02)	0.03	0.04	(0.04)	(0.05)	(0.02)	0.07	0.34
Capital expenditures ⁽²⁾	167,876	85,297	8,284	9,496	29,020	17,775	17,608	23,510
Working capital (net debt)	(111,438)	(60,712)	38,255	(9,350)	(9,228)	(17,046)	(8,960)	(10,680)
Shareholders' equity	321,212	215,346	212,201	166,374	167,231	140,260	143,057	135,854

(1) Including realized gains/losses on derivative instruments.

(2) Total capital expenditures, including acquisitions.

(3) The selected quarterly information has been prepared in accordance with the accounting principles as contained in the notes to the consolidated financial statements for the years ended December 31, 2009 and 2008, except for funds from operations, which is a non-GAAP measure.

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

Angle's total assets and capital expenditures increased significantly in the second quarter of 2010 (due to the property acquisition in the Edson area that closed on June 30, 2010) and in the first quarter of 2010 (due to the acquisition of Stonefire that closed on January 12, 2010) as well as an active drilling program, which also contributed to the substantial change in working capital. The fluctuations in Angle's revenue and net earnings from quarter to quarter are primarily caused by increases in production volumes, realized commodity prices and the related impact on royalties, and realized and unrealized gains/losses on financial instruments. The decrease in production volumes in the second quarter of 2010 was primarily due to a plant turnaround at Ferrier, which resulted in all of Angle's production in the area being shut-in for 17 days. During 2009, Angle's revenue stream was negatively impacted by the decrease in commodity prices experienced by the industry as a whole. During the second quarter of 2009, the Company experienced production downtime due to mechanical failures at its processing facilities in both the Harmattan and Ferrier core producing areas. Please refer to the "Financial and Operating Results" section and other sections of this MD&A for detailed discussions on variations during the comparative quarters and to Angle's previously issued interim and annual MD&A for changes in prior quarters.

CONTRACTUAL OBLIGATIONS

The Company has a committed revolving term facility with two chartered banks. The authorized borrowing amount under this facility as at June 30, 2010 was \$160,000,000. The Company's commitments are summarized below:

	2010	2011	2012	2013	2014
(000s)	(\$)	(\$)	(\$)	(\$)	(\$)
Operating lease – office	309	798	687	687	630
Operating lease – compressors	280	447	–	–	–
Total	589	1,245	687	687	630

Please refer to the "Future Outlook and Forward-Looking Information" and the "Liquidity and Capital Resources" sections of this MD&A for further information.

RELATED PARTY AND OFF-BALANCE SHEET TRANSACTIONS

Angle has retained the law firm of Osler, Hoskin and Harcourt LLP ("Osler") to provide legal services. Ms. Noralee Bradley, a Director and Chairman of Angle, is a partner of this firm. During the first six months of 2010, Angle incurred \$581,000 in costs with Osler (2009 – \$333,000). Services provided related to advice and counsel primarily in the areas of general legal, corporate governance matters, corporate acquisitions, and banking and equity offerings. These services were billed at rates consistent with those charged to third parties. The Company expects to continue using the firm's services throughout the remainder of 2010.

FUTURE ACCOUNTING POLICY CHANGES

Business Combinations

In December 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1582, "Business Combinations", which requires all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs are expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The standard applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011 with earlier adoption permitted. Angle is currently assessing the impact of the new standard on its consolidated financial statements.

Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling Interests". Section 1601 establishes the standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 with earlier adoption permitted. Angle is currently assessing the impact of these new standards on its consolidated financial statements.

Transition to International Financial Reporting Standards

On January 1, 2011, International Financial Reporting Standards ("IFRS") will become the generally accepted accounting principles in Canada. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by Angle for the year ended December 31, 2010, including the opening balance sheet as at January 1, 2010.

Although IFRS is principles-based and uses a conceptual framework similar to Canadian GAAP, there are significant differences and choices in accounting policies as well as increased disclosure requirements under IFRS. As a result, the transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

Throughout 2009 and 2010, the Company has been assessing the impact of adopting IFRS and is continuing to implement plans for transition. The project is being managed by an in-house team of accounting professionals who have engaged in IFRS educational programs and continue to develop the Company's adoption to IFRS. The Company's auditors will be involved throughout the process to ensure Angle's policies are in accordance with these new standards. Management has not yet finalized its accounting policies, and as such, is currently unable to quantify the impact of adopting IFRS on the financial statements. The audit of Angle's opening balance sheet is scheduled for September 2010.

In July 2009, the International Accounting Standards Board ("IASB") published amendments to the IFRS 1 deemed cost exemption. The amendment permits the Company to allocate the Company's full cost pool under existing GAAP using its current reserves volumes or reserves values at the transition date, with the provision that an impairment test, under IFRS standards, be conducted at the transition date. IFRS 1 also provides a number of other optional exemptions and mandatory exceptions in certain areas to the general requirement for full retrospective application. Management is analyzing the various accounting policy choices available and will implement those determined to be the most appropriate for the Company.

At this time, Angle has identified key differences that will impact the financial statements as follows:

- > Exploration and Evaluation ("E&E") expenditures. On transition to IFRS, Angle will reclassify all E&E expenditures that are currently included in the property, plant and equipment ("PP&E") balance on the consolidated balance sheet. This will consist of the book value of undeveloped land and unevaluated seismic data that relates to exploration properties. E&E assets will not be depleted and must be assessed for impairment when indicators of impairment exist.
- > Depletion expense. On transition to IFRS, Angle will make an accounting policy choice on whether to base the depletion calculation on either proved reserves or proved plus probable reserves. At this time, Angle has not concluded which basis it will use.
- > Impairment of PP&E assets. Under IFRS, impairment tests of PP&E must be performed at the cash generating unit level using either total proved or proved plus probable reserves. Canadian GAAP allows an impairment test to be performed on a country cost centre basis.
- > Due to the withdrawal of the exposure draft on IAS 12 "Income Taxes" in November 2009 and the issuance of the exposure draft on IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in January 2010, management is still determining the impact of these revised standards on its IFRS transition.
- > Stock-based compensation expense. Under IFRS, each tranche of options is required to be treated as a separate arrangement as graded vesting must be utilized. In addition, under IFRS, a forfeiture rate must be included in the initial expense calculation, and adjusted prospectively if required, rather than accounting for forfeitures as they occur.
- > Asset retirement obligations. Under IFRS, either cash flows or the interest rate should be risked in calculating the asset retirement obligation. The Company has determined that it will risk future cash flows and discount the asset retirement obligation using a risk-free interest rate. This differs from Canadian GAAP, which requires a credit adjusted risk-free interest rate to be used to discount future cash flows. As the Company is utilizing the IFRS 1 full cost exemption, this change will result in a retained earnings adjustment at January 1, 2010.

Angle is determining which additional changes to internal controls over financial reporting will be required to deal with the changes in accounting policies. This will be ongoing throughout the balance of 2010 to ensure all changes in accounting policies include appropriate additional controls and procedures for future IFRS reporting requirements. Angle is also assessing stakeholders' information requirements to ensure that appropriate and timely information is provided for disclosures once available.

Throughout the balance of 2010, Angle will be assessing the impact that the adoption of IFRS will have on its accounting system. Modifications will be required to allow the Company to report both Canadian GAAP and IFRS statements and track E&E costs, transfer costs from E&E to PP&E and allocate PP&E into cash generating units.

CONTROLS AND PROCEDURES

Disclosure Controls

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), to allow timely decisions regarding required disclosure. Angle's CEO and CFO have concluded, based on their evaluation as of the end of the period covered by the Company's interim filings, that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer is made known to them by others within the Company.

Internal Controls Over Financial Reporting

Management has assessed the effectiveness of the Company's internal controls over financial reporting as defined by National Instrument 52-109 at December 31, 2009. The assessment was based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations. No changes were made to the Company's internal controls over financial reporting during the period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

It should be noted that while Angle's CEO and CFO believe that the Company's internal controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

BUSINESS RISKS AND RISK MITIGATION

There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to the sector. The most important of these risks are set out below, together with the strategies Angle employs to mitigate and minimize these risks.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These conditions worsened in the third quarter of 2008 and continued in 2009 and the first six months of 2010, causing a loss of confidence in the broader United States and global credit and financial markets. This has created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. These factors have negatively impacted the Company's valuations and will impact the performance of the global economy going forward.

Commodity prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Credit Risk

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. Management monitors purchaser credit positions to mitigate any potential credit losses. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, Angle does have the ability to withhold production from joint venture partners in the event of non-payment.

Liquidity Risk

Liquidity risk relates to the risk the Company will encounter should it have difficulty in meeting obligations associated with the financial liabilities. Angle anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt. The Company had no defaults or breaches on its bank debt or any of its financial liabilities.

Market Risk

Market risk is the risk of changes in market prices, such as commodity prices, foreign currency exchange rates and interest rates that will affect the net earnings or value of financial instruments. The objective of managing market risk is to control market risk exposures within acceptable limits, while maximizing returns. The Company may use financial derivative contracts to manage market risk.

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in the commodity prices. The Company attempts to mitigate commodity price risk through the use of financial derivative contracts.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency; however, the United States dollar influences the price of petroleum and natural gas sold in Canada. The Company's financial assets and liabilities are not affected by a change in currency rates. The Company had no foreign exchange contracts in place at June 30, 2010.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's debts that have a floating interest rate. The Company had no interest rate swaps or hedges at June 30, 2010. With regards to interest rate risk, a change of 1% in the effective interest rate would impact net earnings by approximately \$145,000 in 2010, based on average debt outstanding during the year.

Risk of Failing to Discover Economic Reserves Additions

The Company's strategies include focusing on gas prone selected areas in Western Canada, utilizing a team of highly qualified professionals with expertise and experience in these areas, expanding operations in core areas, continuously assessing new exploration opportunities to complement existing activities and striving for a balance between higher risk exploratory drilling, lower risk development drilling and pursuing liquids-rich gas reservoirs.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves may not be economically produced at prevailing prices. Angle minimizes this risk by generating exploration prospects internally, targeting high quality projects and attempting to operate the project along with access to the sales market through Company owned infrastructure or mid-stream operators.

Operational and Environmental Risks

The Company manages operational risks by employing skilled professionals utilizing leading-edge technology and conducting regular maintenance and training programs. Angle has established an Environmental, Health and Safety Committee and updated its operational emergency response plan and operational safety manual to address these operational issues. In addition, a comprehensive insurance program is maintained to mitigate risks and protect against significant losses where possible. Angle operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations.

A handwritten signature in black ink, appearing to read 'Stuart C. Symon', with a long horizontal flourish extending to the right.

Stuart C. Symon, CMA

Vice President Finance & Chief Financial Officer

August 3, 2010

Consolidated Balance Sheets

AS AT	JUNE 30, 2010	DECEMBER 31, 2009
(000s) (unaudited)	(\$)	(\$)
ASSETS		
Current		
Cash and cash equivalents	–	34,644
Accounts receivable	15,996	11,988
Prepaid expenses and other	3,730	3,722
Derivative instruments (note 9)	1,316	226
	21,042	50,580
Property and equipment (note 4)	469,563	195,885
	490,605	246,465
LIABILITIES		
Current		
Accounts payable and accrued liabilities	28,901	12,099
Future income tax liability	369	–
	29,270	12,099
Bank debt (note 5)	102,263	–
Future tax liability	33,053	19,453
Asset retirement obligations (note 6)	4,807	2,712
	169,393	34,264
SHAREHOLDERS' EQUITY		
Share capital (note 7)	283,193	175,710
Contributed surplus (note 7)	5,990	5,118
Retained earnings	32,029	31,373
	321,212	212,201
	490,605	246,465

COMMITMENTS (note 11)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
<i>(000s, except per share data) (unaudited)</i>	<i>(\\$)</i>	<i>(\\$)</i>	<i>(\\$)</i>	<i>(\\$)</i>
REVENUE				
Oil and gas revenues	22,619	17,405	50,461	38,863
Realized derivative instrument gain	855	–	855	–
Unrealized derivative instrument gain (loss)	(708)	–	1,090	–
	22,766	17,405	52,406	38,863
Royalty expense	(3,242)	(3,578)	(10,995)	(10,874)
	19,524	13,827	41,411	27,989
EXPENSES				
Operating	4,121	3,099	8,260	6,413
General and administrative	2,133	2,141	4,058	3,298
Interest	1,133	48	1,563	50
Stock-based compensation <i>(note 7)</i>	687	325	1,266	712
Depletion, depreciation and accretion	12,611	10,589	25,345	20,915
	20,685	16,202	40,492	31,388
INCOME (LOSS) BEFORE INCOME TAXES	(1,161)	(2,375)	919	(3,399)
INCOME TAXES				
Future tax expense (reduction)	(206)	(127)	263	(462)
NET INCOME (LOSS) FOR THE PERIOD	(955)	(2,248)	656	(2,937)
RETAINED EARNINGS – BEGINNING OF PERIOD	32,984	33,716	31,373	34,405
RETAINED EARNINGS – END OF PERIOD	32,029	31,468	32,029	31,468
Net income (loss) per share <i>(note 7)</i>				
Basic	(0.02)	(0.05)	0.01	(0.07)
Diluted	(0.02)	(0.05)	0.01	(0.07)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(000) (unaudited)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
	(\$)	(\$)	(\$)	(\$)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss) for the period	(955)	(2,248)	656	(2,937)
Add back non-cash items:				
Depletion, depreciation and accretion	12,611	10,589	25,345	20,915
Stock-based compensation	687	325	1,266	712
Unrealized gain (loss) on derivative instruments (note 9)	708	–	(1,090)	–
Future tax expense (reduction)	(206)	(127)	263	(462)
Asset retirement expenditures	(42)	–	(125)	–
	12,803	8,539	26,315	18,228
Change in non-cash working capital (note 8)	(5,665)	(12,338)	(12,518)	(9,471)
	7,138	(3,799)	13,797	8,757
FINANCING ACTIVITIES				
Issue of common shares, net of share issue expenses	104,347	28,299	105,144	28,299
Increase (decrease) in bank debt	53,870	4,574	79,563	7,921
Changes in non-cash working capital (note 8)	500	10	441	54
	158,717	32,883	185,148	36,274
INVESTING ACTIVITIES				
Property and equipment additions	(43,805)	(6,569)	(82,954)	(24,344)
Corporate acquisition (note 3)	–	(22,451)	(46,148)	(22,451)
Property and equipment acquisitions (note 3)	(124,071)	–	(124,071)	–
Change in non-cash working capital (note 8)	2,021	(64)	19,584	825
	(165,855)	(29,084)	(233,589)	(45,970)
NET INCREASE (DECREASE) IN CASH	–	–	(34,644)	(939)
CASH – BEGINNING OF PERIOD	–	–	34,644	939
CASH – END OF PERIOD	–	–	–	–

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

JUNE 30, 2010

(unaudited)

1. NATURE OF OPERATIONS

Angle Energy Inc. ("Angle" or the "Company") is a publicly traded company incorporated under the laws of Alberta. The principal business of the Company is the exploration, exploitation, development and production of natural gas and oil reserves.

2. ACCOUNTING POLICIES

These consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes disclosed in the Company's annual report for the year ended December 31, 2009. The interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the Company for the year ended December 31, 2009.

3. PROPERTY AND EQUIPMENT ACQUISITIONS

(a) Corporate Acquisition

On January 12, 2010, Angle acquired all of the issued and outstanding shares of Stonefire Energy Corp. ("Stonefire"), a publicly traded junior oil and gas exploration company, for cash consideration of \$46,650,000. In addition, Angle incurred transaction costs of \$1,060,000 and assumed Stonefire's net debt of \$26,417,000. The operations of Stonefire have been included with the results of Angle commencing January 12, 2010. The transaction was accounted for by the purchase method. The allocation of the purchase price for the acquisition has not been finalized. The preliminary allocation of the purchase price, based on management's estimates, is as follows:

<i>(000s)</i>	<i>(\$)</i>
Fair value of net assets acquired:	
Petroleum and natural gas assets	89,949
Bank debt	(22,700)
Working capital deficiency ⁽¹⁾	(3,717)
Asset retirement obligations	(594)
Future income tax liability	(15,228)
Net assets acquired	47,710
Consideration:	
Cash	46,650
Transaction costs	1,060
	47,710

(1) Working capital deficiency includes cash of \$1,562,000.

3. PROPERTY AND EQUIPMENT ACQUISITIONS (continued)

(b) Property Acquisitions

On June 30, 2010, Angle acquired certain interests in petroleum and natural gas properties in the Edson area for cash consideration of \$116,800,000 (including transaction costs of approximately \$1,800,000), with associated asset retirement obligations of \$1,172,000. These amounts are estimates made by management based on currently available information. Revisions may be made as cost estimates and balances are finalized. A final statement of adjustments is due 12 months following the close of the acquisition, which may result in changes to the final balances.

In June 2010, Angle acquired an additional working interest in several wells and a compression facility in the Ferrier area for cash consideration of \$7,271,000 (including initial adjustments), with associated asset retirement obligations of \$46,000. These amounts are estimates made by management based on currently available information. Revisions may be made as cost estimates and balances are finalized. A final statement of adjustments is due 12 months following the close of the acquisition, which may result in changes to the final balances.

4. PROPERTY AND EQUIPMENT

	COST	ACCUMULATED DEPLETION AND AMORTIZATION	NET BOOK VALUE
(000s)	(\$)	(\$)	(\$)
June 30, 2010			
Petroleum and natural gas properties	588,617	119,851	468,766
Office equipment	1,298	501	797
	589,915	120,352	469,563
December 31, 2009			
Petroleum and natural gas properties	289,908	94,765	195,143
Office equipment	1,137	395	742
	291,045	95,160	195,885

The Company capitalized \$471,000 (2009 – \$362,000) of direct general and administrative costs, \$313,000 (2009 – \$247,000) of stock-based compensation expense and \$711,000 (2009 – \$346,000) of operator overhead related to its exploration and development activity for the period ended June 30, 2010.

Unevaluated and undeveloped properties with a cost of \$50,563,000 (2009 – \$18,961,000), included in petroleum and natural gas properties, have not been subject to depletion as reserves related to these costs had not been assigned for the period ended June 30, 2010. As at period-end, future development costs totaling \$18,429,000 (2009 – \$20,821,000) were included in amounts subject to depletion.

5. BANK DEBT

The Company has a revolving committed credit facility with two chartered banks with a borrowing base of \$160,000,000.

The credit facility may be extended and revolve beyond the initial one-year period, if requested by the Company and accepted by the lenders. The current revolving period will expire April 29, 2011. If the credit facility does not continue to revolve, the facility will convert to a 366-day non-revolving term loan facility. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders. The next semi-annual review of the credit facility is scheduled to take place on or before October 31, 2010.

5. BANK DEBT (continued)

The credit facility provides that advances may be made by way of direct advances or bankers' acceptances. Direct advances bear interest at the bank's prime rate plus 1.0% unless the consolidated total debt to cash flow ratio exceeds 1.0 to 1.0, in which case the interest rate is the bank's prime rate plus 1.25%. For purposes of this calculation, consolidated total debt is defined as total liabilities less current assets and cash flow is defined as cash flow from operations for the last two quarters multiplied by 2 (annualized). The interest rate rises incrementally with increases in the net debt to trailing cash flow ratio to a maximum of the bank's prime rate plus 2.5% at greater than 2.5 to 1.0. A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security.

6. ASSET RETIREMENT OBLIGATIONS

The Company recorded an asset retirement obligation calculated as the present value of the estimated future cost to abandon its petroleum and natural gas properties. To determine the value of this obligation, the Company utilized an inflation rate of 2% (2009 – 2%) and a credit adjusted risk-free interest rate of 8% to 10% (2009 – 8% to 10%) to discount the future estimated cash flows of \$15,049,000 (2009 – \$6,122,000) of which the majority of costs are expected to be incurred over a period of one to 25 years. At June 30, 2010 and December 31, 2009, the obligation was as follows:

	SIX MONTHS ENDED JUNE 30, 2010	YEAR ENDED DECEMBER 31, 2009
(000s)	(\$)	(\$)
Balance – beginning of period	2,712	1,979
Change in estimates	–	(385)
Liabilities incurred	255	904
Liabilities acquired on corporate acquisition	594	–
Liabilities acquired on property acquisitions	1,218	–
Liabilities settled	(125)	–
Accretion of asset retirement obligation	153	214
Balance – end of period	4,807	2,712

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares, no par value.

Unlimited number of preferred shares, no par value, issuable in series.

(b) Issued

	SIX MONTHS ENDED JUNE 30, 2010		YEAR ENDED DECEMBER 31, 2009	
	SHARES	AMOUNT	SHARES	AMOUNT
	(#)	(\$000s)	(#)	(\$000s)
Common Shares				
Balance – beginning of period	54,481,132	175,710	39,296,574	104,995
Common shares issued	14,479,366	112,156	15,184,558	76,384
Tax effect of flow-through shares	–	–	–	(2,516)
Share issue costs	–	(6,305)	–	(4,212)
Tax benefit of share issue costs	–	1,632	–	1,059
Balance – end of period	68,960,498	283,193	54,481,132	175,710

7. SHARE CAPITAL (continued)

(b) Issued (continued)

In the first quarter of 2010, the Company issued 298,466 common shares, resulting from the exercise of stock options, for cash proceeds of \$797,000 and previously recognized stock-based compensation expense of \$361,000.

In May 2010, the Company issued 6,080,000 common shares at a price of \$7.70 per common share for gross proceeds of \$46,816,000 (\$44,175,000 net of issue costs).

In June 2010, the Company issued 8,050,000 subscription receipts at a price of \$7.90 per subscription receipt, for total proceeds of \$63,595,000 (\$59,931,000 net of issue costs). Upon exercise, each subscription receipt was convertible to one common share. All subscription receipts were deemed exercised and converted to common shares on June 30, 2010.

In the second quarter of 2010, the Company issued 50,900 common shares, resulting from the exercise of stock options, for cash proceeds of \$241,000 and previously recognized stock-based compensation expense of \$346,000.

(c) Contributed Surplus

	SIX MONTHS ENDED JUNE 30, 2010	YEAR ENDED DECEMBER 31, 2009
(000s)	(\$)	(\$)
Balance – beginning of period	5,118	3,657
Stock-based compensation – options	1,579	1,393
Reduction due to exercise of options	(707)	(536)
Stock-based compensation – share appreciation rights	–	639
Reduction due to cash settlement of share appreciation rights plan	–	(35)
Balance – end of period	5,990	5,118

(d) Per Share Amounts

For the six months ended June 30, 2010, net income (loss) per common share is calculated using the weighted average number of shares outstanding of 56,547,040 (basic) and 57,873,942 (diluted) (June 30, 2009 – 40,111,959 basic and diluted). Outstanding options were anti-dilutive instruments in 2009 because the Company realized a net loss in the six months ended June 30, 2009.

For the three months ended June 30, 2010, net loss per common share is calculated using the weighted average number of shares outstanding of 58,403,864 (basic and diluted) (June 30, 2009 – 40,918,383 basic and diluted). Outstanding options were anti-dilutive instruments in 2010 and 2009 because the Company realized a net loss in the three-month periods ended June 30, 2010 and 2009.

(e) Options Outstanding

The Company has a stock option plan, administered by the Board of Directors, in which up to 10% of the issued and outstanding common shares are reserved for issuance to officers, employees and directors. Under the plan, options vest equally one-third on the first, second and third anniversary dates from the option grants and expire in five years or immediately from the date from which the optionee ceases to be a director, officer or employee of the Company or six months after the involuntary withdrawal of the optionee.

7. SHARE CAPITAL (continued)

(e) Options Outstanding (continued)

The following summarizes information about stock options outstanding as at June 30, 2010:

	OPTIONS (#)	WEIGHTED AVERAGE EXERCISE PRICE (\$)
Outstanding at December 31, 2009	4,380,916	4.14
Granted in the period	723,500	8.05
Exercised in the period	(349,366)	2.97
Forfeited in the period	(105,000)	5.28
Outstanding at June 30, 2010	4,650,050	4.81

EXERCISE PRICE (\$)	OUTSTANDING (#)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (years)	WEIGHTED AVERAGE EXERCISE PRICE (\$)	EXERCISABLE (#)	WEIGHTED AVERAGE EXERCISE PRICE (\$)
As at June 30, 2010					
2.80 – 4.59	3,140,800	2.6	3.93	1,568,799	3.51
4.60 – 6.39	785,750	3.9	5.36	131,999	5.30
6.40 – 8.19	505,000	4.8	7.71	–	–
8.20 – 10.00	218,500	4.6	8.82	–	–
	4,650,050	3.1	4.81	1,700,798	3.65

The fair value of common share options granted during the period ended June 30, 2010 was estimated to be \$1,266,000 or \$3.61 per weighted average option (2009 – \$nil) as at the date of grant using the Black-Scholes pricing model and the following average assumptions:

SIX MONTHS ENDED JUNE 30,	2010	2009
Risk-free interest rate (%)	2.61	–
Expected life (years)	5.00	–
Expected volatility (%)	52.00	–

(f) Management of Capital Structure

The Company's objective when managing capital is to maintain a flexible capital structure that will allow it to execute on its capital expenditures program, which includes expenditures in oil and gas activities that may or may not be successful. The current economic conditions are such that equity financing may not be available, and availability of bank credit is generally reducing with the related costs increasing. The Company recognizes these trends and endeavours to balance the proportion and levels of the debt and equity in its capital structure to take into account the level or risk being incurred in its capital expenditures.

In the management of capital, the Company includes share capital of \$283,193,000 and net debt of \$111,438,000 (defined as the sum of current assets, current liabilities and bank debt, excluding derivative instruments and related tax effects) in the definition of capital.

7. SHARE CAPITAL (continued)

(f) Management of Capital Structure (continued)

The key measures that the Company utilizes in evaluating its capital structure are net debt to funds from operations (which is cash flow from operations before changes in non-cash working capital and settlement of retirement costs) and the current credit available from its creditors in relation to the Company's budgeted capital expenditures program. Net debt to funds from operations is determined as net debt divided by funds from operations and represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds from operations stayed constant. Annualized funds from operations for the six months ended June 30, 2010 was \$52,630,000 (2009 – \$36,456,000) resulting in a net debt to funds from operations ratio of 2.12 (2009 – 0.25). This ratio is above the Company's standard acceptable range of 2.0 or less due to the timing of the property acquisition completed on June 30, 2010. The Company expects this ratio to return to an acceptable number below 2.0 when cash flows from the acquired properties are added in the third and fourth quarters.

The Company manages its capital structure and makes adjustments by continually monitoring its business conditions, including the current economic conditions, the risk characteristics of the underlying assets, the depth of its investment opportunities, forecasted investment levels, the past efficiencies of the Company's investments, the efficiencies of forecasted investments and the desired pace of investment, current and forecasted total debt levels, current and forecasted energy commodity prices, and other factors that influence commodity prices and funds from operations, such as foreign exchange and quality basis differentials.

In order to maintain or adjust the capital structure, the Company will consider its forecasted net debt to forecasted funds from operations ratio while attempting to finance an acceptable capital expenditures program, including incremental capital spending and acquisition opportunities, the current level of bank credit available from the commercial bank, the level of bank credit that may be attainable from its commercial bank as a result of oil and gas reserves growth, the availability of other sources of debt with different characteristics than the existing bank debt, the sale of assets limiting the size of its capital spending program, and new common equity if available on favourable terms.

During the first six months of 2010, the Company's strategy in managing its capital was unchanged.

8. CHANGES IN NON-CASH WORKING CAPITAL

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
Accounts receivable	(42)	996	(3,139)	3,132
Prepaid expenses and other	574	(2,722)	507	(2,655)
Accounts payable and accrued liabilities	(3,676)	(10,666)	10,139	(9,069)
	(3,144)	(12,392)	7,507	(8,592)

The change in non-cash working capital has been allocated to the following activities:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2010	2009	2010	2009
(000s)	(\$)	(\$)	(\$)	(\$)
Operating	(5,665)	(12,338)	(12,518)	(9,471)
Financing	500	10	441	54
Investing	2,021	(64)	19,584	825
	(3,144)	(12,392)	7,507	(8,592)

9. FINANCIAL INSTRUMENTS

The Company has exposure to credit, liquidity and market risk.

Angle's risk management policies are established to identify and analyze the risks faced by the Company, set appropriate limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(a) Credit Risk

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. The industry has a pre-arranged monthly settlement day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month in which the production is sold. As a result, Angle collects sales revenues in an organized manner. Management monitors purchaser credit positions to mitigate any potential credit losses. To the extent Angle has joint interest activities with industry partners, the Company must collect, on a monthly basis, partners' share of capital and operating expenses. These collections are subject to normal industry credit risk. Angle attempts to mitigate risk from joint venture receivables by obtaining partner approval of capital projects prior to expenditure and collects in advance for significant amounts related to partners' share of capital expenditures in accordance with the industry operating procedures. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, Angle does have the ability to withhold production from joint venture partners in the event of non-payment. At June 30, 2010, of the accounts receivable balance of \$15,996,000, 75% was current, 24% was 31 to 90 days and the balance was over 90 days due. Angle had no material accounts receivable deemed uncollectible.

The Company's credit risk is limited to the carrying amount of its accounts receivable, which are due primarily from other entities involved in the oil and gas industry. These amounts are subject to the same risks as the industry as a whole.

(b) Liquidity Risk

Liquidity risk relates to the risk the Company will encounter should it have difficulty in meeting obligations associated with the financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and bank debt. Accounts payable consist of invoices payable to trade suppliers relating to the office and field operating activities and its capital spending program. Angle processes invoices within a normal payment period. Angle anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt. The Company had no defaults or breaches on its bank debt or any of its financial liabilities.

(c) Market Risk

Market risk is the risk of changes in market prices, such as commodity prices, foreign currency exchange rates and interest rates that will affect the net earnings or value of financial instruments. The objective of managing market risk is to control market risk exposures within acceptable limits, while maximizing returns.

The Company may utilize financial derivative contracts to manage market risk. All such transactions are conducted in accordance with the risk management policy that has been approved by the Board of Directors.

9. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk (continued)

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in the commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. The Company has attempted to mitigate commodity price risk through the use of financial derivative contracts. As at June 30, 2010, the Company had fixed the price applicable to future production through the following contract:

NATURAL GAS	VOLUME	PRICING POINT	STRIKE PRICE	TERM
Fixed Price/Financial	5,000 GJ/d	AECO	CDN\$5.535/GJ	Apr.1/10 - Oct.31/10

The fair value of this contract as at June 30, 2010 was an asset of \$1,316,000.

(ii) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency; however, the United States dollar influences the price of petroleum and natural gas sold in Canada. The Company's financial assets and liabilities are not affected by a change in currency rates. The Company had no foreign exchange contracts in place at June 30, 2010.

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's debts that have a floating interest rate. The Company had no interest rate swaps or hedges at June 30, 2010. With regards to interest rate risk, a change of 1% in the effective interest rate would impact net earnings by approximately \$145,000 in 2010, based on average debt outstanding during the period.

10. RELATED PARTIES

During the first six months of 2010, expenses and share issue costs were recorded totaling \$581,000 (2009 – \$333,000) that were charged to the Company by a legal firm of which a Director of the Company is a partner, and \$73,000 (2009 – \$137,000) remained in accounts payable at June 30, 2010. These amounts are billed and recorded at rates consistent with those charged to third parties.

11. COMMITMENTS

The Company has lease commitments for office premises that expire in 2014 and three compressors that expire in 2011. Future minimum lease payments under the leases are as follows:

<i>(000s)</i>	<i>(\$)</i>
2010	589
2011	1,245
2012	687
2013	687
2014	630
	<u>3,838</u>

Corporate Information

Board of Directors

Norelee Bradley – Chairman ⁽³⁾⁽⁴⁾
Partner
Osler, Hoskin & Harcourt LLP

Clarence Chow ⁽¹⁾⁽²⁾
President
CGS Asset Management Ltd.

Timothy V. Dunne ⁽¹⁾⁽³⁾
Independent Businessman

D. Gregg Fischbuch
Chief Executive Officer
Angle Energy Inc.

John Gareau ⁽¹⁾⁽³⁾
Independent Businessman

Edward Muchowski ⁽²⁾⁽⁴⁾
Independent Businessman

- (1) Audit Committee Member
- (2) Reserves Committee Member
- (3) Corporate Governance & Compensation Committee Member
- (4) Environmental, Health & Safety Committee Member

Officers

Heather Christie-Burns
President & Chief Operating Officer

D. Gregg Fischbuch
Chief Executive Officer

Stuart C. Symon
Vice President Finance, Chief Financial Officer
& Corporate Secretary

G. Graham Cormack
Vice President Operations

Glen Richardson
Vice President Land

Elizabeth More
Vice President Exploration

Matthew Mazuryk
Vice President Engineering

Heather Post
Controller

Head Office

Suite 700
324 Eighth Avenue S.W.
Calgary, Alberta T2P 2Z2
Telephone: (403) 263-4534
Facsimile: (403) 263-4179
Website: www.angleenergy.com

Auditors

KPMG LLP
Calgary, Alberta

Bankers

ATB Financial
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Seaton-Jordan & Associates Ltd.
Calgary, Alberta

Legal Counsel

Osler, Hoskin & Harcourt LLP
Calgary, Alberta

Registrar and Transfer Agent

Valiant Trust Company
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: NGL

Abbreviations

bbls	barrels
bcf	billion cubic feet
boe	barrels of oil equivalent
GJ	gigajoules
/d	per day
mbbls	thousand barrels
mcf	thousand cubic feet
mm	million
mmbbls	million barrels
mmcf	million cubic feet
NGLs	natural gas liquids
3-D	three dimensional

Conversion of Units

1.0 acre	=	0.40 hectares
2.5 acres	=	1.0 hectare
1.0 bbl	=	0.159 cubic metres
6.29 bbls	=	1.0 cubic metre
1.0 foot	=	0.3048 metres
3.281 feet	=	1.0 metre
1.0 mcf	=	28.2 cubic metres
0.035 mcf	=	1.0 cubic metre
1.0 mile	=	1.61 kilometres
0.62 miles	=	1.0 kilometre
Natural gas is equated to oil on the basis of 6 mcf : 1 bbl		



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