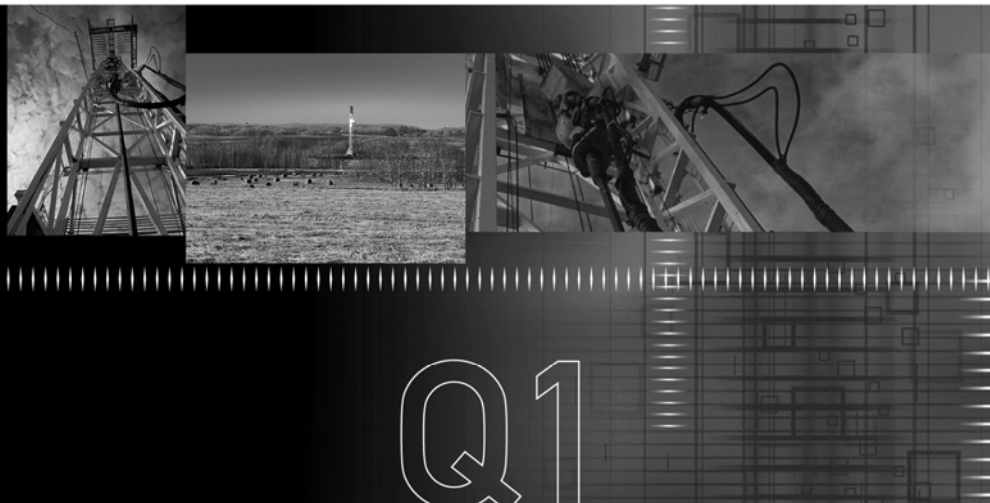




ANGLEENERGYINC



First Quarter Interim Report for the Three Months Ended March 31, 2007

HIGHLIGHTS

Three Months Ended March 31, <i>(000s, except per share data)</i>	2007 <i>(\$)</i>	2006 <i>(\$)</i>
Financial		
Oil and gas revenues	14,982	2,858
Funds from operations ⁽¹⁾	8,130	1,122
Per share – basic	0.25	0.04
Per share – diluted	0.24	0.04
Net income	2,772	87
Per share – basic	0.09	0.00
Per share –diluted	0.08	0.00
Capital expenditures	17,975	11,455
Net debt (positive working capital)	20,481	(6,619)
Shareholders' equity	66,107	40,775
Shares outstanding (#)		
At end of period	32,528	27,007
Weighted average -basic	32,523	26,513
Weighted average –diluted	33,696	27,077
Operating		
Production		
Crude oil <i>(bbls/d)</i>	1	--
Natural gas liquids <i>(bbls/d)</i>	1,451	404
Natural gas <i>(mmcf/d)</i>	12.30	1.90
Total oil equivalent <i>(boe/d)</i>	3,494	718
Average wellhead prices		
Crude oil <i>(\$/bbl)</i>	63.18	--
Natural gas liquids <i>(\$/bbl)</i>	49.08	44.06
Natural gas <i>(\$/mcf)</i>	7.77	7.40
Total oil equivalent <i>(\$/boe)</i>	47.65	44.21
Reserves (effective March 31, 2007)		
Proved <i>(mboe)</i>	7,099	--
Proved plus probable <i>(mboe)</i>	13,793	--
Total net present value – proved plus probable <i>(10% discount before tax) (\$)</i>	174,753	--
Gross (net) wells drilled (#)		
Oil	--	--
Gas	5.0 (4.6)	3.0 (3.0)
Dry and abandoned	2.0 (1.5)	2.0 (1.4)
Total	7.0 (6.1)	5.0 (4.4)
Average working interest (%)	87	88

(1) Funds from operations and funds from operations per share are not recognized measures under Canadian generally accepted accounting principles ("GAAP"). Funds from operations is calculated by taking net income (loss) and adding back non-cash balances such as depletion, depreciation and accretion, stock-based compensation expense, unrealized gain on financial derivative instruments and future income taxes. Management believes that funds flow from operations is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. The Company's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to measures used by other companies.

LETTER TO SHAREHOLDERS

Fellow Shareholder:

During the first quarter of 2007, Angle Energy Inc. continued to enjoy operational and financial success and is pleased to report the following results:

- Based on an independent evaluation prepared by GLJ Petroleum Consultants Ltd. effective March 31, 2007, Angle recorded a 15% increase in proved reserves to 7,099 mboe and an 11% improvement in proved plus probable reserves to 13,793 mboe compared to 6,203 mboe and 12,396 mboe, respectively, recorded at December 31, 2006.
- Drilled 7 gross (6.1 net) wells for a 75% net success rate.
- Continued to expand our drilling prospect inventory (with the majority as development wells) in our core Harmattan/Crossfield area, our emerging Ferrier area and in a number of new areas adjacent to our core lands.
- Realized average production of 3,494 boe/d for the first quarter of 2007 compared to 718 boe/d in the same period of 2006.
- Generated cash flow of \$8,130,000 or \$0.24 per diluted share and net income of \$2,772,000 or \$0.08 per diluted share.
- Doubled our credit facility from \$20 million to \$40 million in May 2007, which will allow us to take advantage of our expanded drilling prospect inventory.

Operations

Harmattan/Crossfield

Harmattan, which is our core area, contributed essentially all of our 3,494 boe/d in production during the first quarter of 2007. This production was comprised of 42% natural gas liquids and 58% natural gas, providing a superior overall gas value compared to dry gas production. During the quarter, we drilled 6 gross (5.1 net) wells in the Harmattan region and were successful on 5 gross (4.6 net) wells for a net success rate of 90%. The majority of these wells were dual targets and demonstrated the high success that is possible when drilling in an area with stacked hydrocarbon pay zones.

In late 2006 and early in the first quarter of 2007, we began construction on a 15-kilometre pipeline to the Taylor Harmattan gas plant. Prior to the region's spring breakup conditions, we completed the north end of the line spanning 11.6 kilometres and tied in three wells adjacent to this portion of the trunk line. Currently, these wells are underperforming to our expectations due to work required on the inlet compressor at the Taylor facility, which is anticipated to be completed in June 2007 and that will substantially lower the gathering system pressure. A fourth well, unrelated to this pipeline project, was also tied in to the Taylor gas plant. These 4.0 gross (3.3 net) wells are Ellerslie sand producers that added 500 boe/d of net production in the quarter to offset the decline from our 2006 exit rate of 3,500 boe/d.

Conditions in Harmattan have only recently allowed us to resume construction on the Taylor pipeline, and we expect the project to be completed and fully operational by mid-June 2007. Currently, six wells are tested and awaiting connection to the pipeline. Five of the wells will be tied in following completion of the southern leg of the Taylor pipeline, thereby adding a net 830 boe/d to Angle's corporate production. The sixth well is east of the main Taylor line and tie-in of this well (net 420 boe/d) is anticipated late in the second or early in the third quarter of 2007.

In addition, we have three wells to be completed and two wells awaiting recompletion. Three of these five wells are in close proximity to the main Taylor pipeline, and as a result, we expect a shorter cycle time from completion to the on-stream date. The Company anticipates average production to total 4,200 boe/d in 2007, with over 95% of this volume coming from the Harmattan area.

Angle currently has over two years of development drilling identified in the Harmattan/Crossfield area, including pool extension and seismically based plays where we have already experienced success. During the remainder of 2007, we expect to drill an additional 11 wells for a total of 17 wells in the area this year. Of our planned capital budget for fiscal 2007, 70% will be dedicated to the Harmattan area, which is further split into 2/3 on our major farm-in lands and 1/3 on other Crown and freehold lands.

Ferrier

During the quarter, we drilled 1 gross (1.0 net) well in Ferrier that was cased and completed for Ellerslie gas, but did not yield economic flow rates. While this completion result was disappointing, the well has yielded important geological information aiding our forward development plans. Currently, 2 gross (1.0 net) tested wells are awaiting tie-in and will add 160 boe/d net to Angle. During the balance of 2007, we are planning an additional five-well development drilling program that Angle will operate at an average working interest of 40%. Infrastructure costs will be optimized within the program and initial production from this area will commence in the second quarter of 2007. The Ferrier area is expected to comprise 16% of Angle's overall capital budget in 2007.

Outlook

Angle's drilling program continues to be successful and has resulted in top tier production and reserves growth, demonstrating the repeatability and lower risk nature of targets in our core area.

At March 31, 2007, we had nine wells awaiting tie-in (seven in Harmattan, two in Ferrier) that will result in production growth to the 4,000 boe/d level during the second quarter of 2007. Additionally, three wells awaiting completion and two recompletion candidates will provide production growth into the third quarter of 2007. We anticipate exiting 2007 with corporate production of 5,200 boe/d, representing a 50% increase over 2006.

During the second quarter, we will continue to target our multi-zone Ellerslie and Mannville reservoirs and will extend our drilling efforts into the Crossfield area in pursuit of additional high impact Elkton reservoirs. In total for all areas, we plan to drill 21 to 23 gross wells in fiscal 2007 with anticipated capital expenditures of \$53 to \$56 million.

We are pleased with the achievements of our professional staff, the guidance from our Board and the ongoing support of our shareholders. We look forward to reporting the results of our ongoing efforts throughout the balance of 2007.

On behalf of the Board of Directors,

[signed]

Gregg Fischbuch
President & Chief Executive Officer

May 25, 2007

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 months ended March 31, 2007 and 2006 and should be read with the accompanying March 31, 2007 unaudited interim financial statements and the audited financial statements for the year ended December 31, 2006. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at, and is dated May 25, 2007.

Production information is commonly reported in units of barrel of oil equivalent or boe. For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalent wellhead value for the individual products. 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.

This MD&A contains the term funds from operations, which should not be considered an alternative to or more meaningful than cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. Therefore, references to funds from operations or funds from operations per share (basic and diluted) may not be comparable with the calculation of similar measures for other entities. 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 the cash necessary to fund future capital investments and to repay debt. The reconciliation between net income (loss), funds from operations and cash flow from operations can be found in the statements of cash flows in the interim financial statements. Funds from operations per share are calculated using the basic and diluted weighted average number of shares for the period. The Company uses the terms operating and corporate netbacks (defined as oil and gas revenues less royalties and operating costs) to analyze operating performance. Operating and corporate netbacks that may be used in this MD&A do not have a standardized meaning under GAAP, and therefore, it may not be comparable with the calculation of similar measures of other entities.

Forward-Looking Statements

Certain information regarding Angle set forth in this interim report, including management's assessment of Angle's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These risks and uncertainties, many of which are beyond Angle's control, include the impact of general economic conditions and specific industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserves estimates, environmental risks, competition from other producers, the lack of available qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Angle's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Angle can derive therefrom.

Basis of Presentation

Angle is a privately held 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 months ended March 31, 2007 and 2006.

Operating Results

Capital Expenditures

Capital expenditures, summarized in the following table, resulted from our ongoing operations and included expenditures on land, seismic, drilling and facility costs incurred:

Three Months Ended March 31,	2007	2006
(000s)	(\$)	(\$)
Drilling and completions	11,127	9,796
Equipment and facilities	4,351	853
Geological and geophysical	193	188
Land and lease retention	2,236	469
Head office	3	4
Capitalized G&A & other	65	145
Total	17,975	11,455

Drilling and completions expenditures totaled \$11,127,000 for the first quarter of 2007 (compared to \$9,796,000 in same period of 2006), which involved the participation in 7 gross (6.1 net) wells. Of the 7 wells, 2 gross (1.5 net) wells were abandoned, while the remaining 5 gross (4.6 net) wells were cased for gas production or further evaluation. During the same period in 2006, the Company drilled 5 gross (4.4 net) wells of which 3 gross (3.0 net) wells were successful and 2 gross (1.4 net) wells were dry.

Drilling Activity

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
January 1 to March 31, 2007						
Crude oil and NGLs	--	--	--	--	--	--
Natural gas	2.0	2.0	3.0	2.6	5.0	4.6
Dry and abandoned	2.0	1.5	-	-	2.0	1.5
Total wells	4.0	3.5	3.0	2.6	7.0	6.1
Success rate (%)		57		100		75
Average working interest (%)		88		87		87
January 1 to March 31, 2006						
Crude oil and NGLs	--	--	--	--	--	--
Natural gas	1.0	1.0	2.0	2.0	3.0	3.0
Dry and abandoned	1.0	1.0	1.0	0.4	2.0	1.4
Total wells	2.0	2.0	3.0	2.4	5.0	4.4
Success rate (%)	50	50	67	83	60	68
Average working interest (%)		100		80		88

During the first quarter of 2007, the Company's expenditures on facilities totaled \$4,351,000 (2006 – \$853,000) primarily for wellsite facilities and related gathering pipelines.

Land purchases and retention costs incurred in the first quarter of 2007 totaled \$2,236,000 compared to \$469,000 in 2006. In 2007, we were more active in Crown land purchases and, to a lesser degree, freehold leasing.

For the 2007 fiscal year, we expect to incur total capital expenditures of approximately \$56,000,000 and anticipate drilling 21 to 23 gross wells.

Financial and Operating Results of Oil and Gas Activities

Production, Price and Revenue

Three Months Ended March 31,	2007	2006
Light crude oil sales (bbls/d)	1	--
NGLs sales (bbls/d)	1,451	404
Natural gas sales (mmcf/d)	12.3	1.9
Total sales (boe/d)	3,494	718
Total sales (boe)	314,437	64,649
Light crude oil sales price (\$/bbl)	63.18	--
NGLs sales price (\$/bbl)	49.08	44.06
Natural gas sales price (\$/mcf)	7.77	7.40
Total sales price (\$/boe)	47.65	44.21
Total revenue (\$000s)	14,982	2,858

For the quarter ended March 31, 2007, we recorded \$14,982,000 (2006 – \$2,858,000) in revenue on average sales volumes of 3,494 boe/d, which was comprised of approximately 42% crude oil and natural gas liquids ("NGLs") and 58% natural gas. Our natural gas price is approximately 10% higher than the AECO 2A daily average price as a result of the higher heat value in our natural gas stream.

Our production has increased dramatically over 2006 levels due to our successful drilling program, especially in the latter part of last year. At March 31, 2007, we still had nine wells to be placed on-stream from our 2007 and 2006 drilling program.

We currently expect our production to average 4,200 boe/d for 2007, with natural gas contributing approximately 58% of this volume. There is inherent timing risk in realizing this production level subject to weather and regulatory issues surrounding pipeline and facility construction.

Our production is sold within Canada and we are sensitive to world crude oil and North American natural gas price variations in addition to the Canada/U.S. currency exchange rate changes. All of the Company's production is sold through two purchasers. In the first quarter of 2007, we entered into a fixed price contract to sell 2,700 GJs/d between March 1 and October 31, 2007 for \$7.72/GJ.

Royalties

Three Months Ended March 31,	2007	2006
(000s)	(\$)	(\$)
Revenue	14,982	2,858
Royalties		
Crown	1,764	48
Other	3,206	1,089
Total royalties	4,970	1,137
% of Revenue		
Crown	12	2
Other	21	38
Total	33	40

For the first quarter of 2007, we recorded total royalties of \$4,970,000 or 33% of revenue versus \$1,137,000 or 40% of revenue a year ago. Included in the 2007 royalties is an adjustment resulting from an increase in allowable deductions in the calculation of other royalties. The royalty expense was \$15.80/boe (6:1) for the first quarter of 2007 compared to \$17.58/boe in the same period of 2006.

The majority of our royalties in 2007 and 2006 resulted from production on farm-in lands in the Harmattan area, which are burdened with both a freehold and a gross overriding royalty. Although this royalty rate is higher than a comparable Crown royalty, the farm-in provided access to the drilling opportunities in this area, and consequently, we did not expend capital funds to acquire the mineral rights. We expect our royalty rate will average approximately 33% for the balance of 2007 as we bring on additional production from Crown lands.

Operating Expenses

Three Months Ended March 31,	2007	2006
(000s)	(\$)	(\$)
Operating expense	1,518	369
Transportation expense	105	16
Total operating expense	1,623	385
Operating expense (\$/boe)	5.16	5.95

Total operating expenses were \$1,623,000 or \$5.16/boe for the quarter ended March 31, 2007 compared to \$385,000 or \$5.95/boe a year ago. We expect our per unit rate to decrease slightly for the remainder of 2007 as production growth absorbs a greater portion of fixed operating expenses.

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

Three Months Ended March 31,	2007	2006
(000s)	(\$)	(\$)
G&A expenses	474	574
G&A capitalized (direct)	(65)	(145)
G&A recoveries via operations	(202)	(88)
G&A expenses (net)	207	341

For the first quarter of 2007, net G&A expenses totaled \$207,000 compared to \$341,000 in the same period of 2006. We have decreased our staffing level from the comparable period in 2006 and now have 10 full time professionals. We capitalized \$65,000 (2006 – \$145,000) in direct costs relating to our exploration and development efforts and \$202,000 (2006 – \$88,000) primarily relating to operator recoveries on capital expenditures. We recorded non-cash stock-based compensation expense of \$208,000 (2006 – \$130,000) and capitalized \$46,000, including tax effect of \$13,000 (2006 – \$31,000), for total stock-based compensation of \$254,000 (2006 – \$161,000).

We expect our G&A expenses to be in the range of \$1,800,000 to \$2,000,000 for fiscal 2007.

Interest Expense

Interest expense incurred for the quarter ended March 31, 2007 totaled \$52,000 (2006 – \$nil). This reflects the use of our credit facilities for our operations during the 2007 three-month period.

Netbacks (per unit)

Three Months Ended March 31,	2007	2006
	(\$/boe)	(\$/boe)
Sales prices	47.65	44.21
Royalties	(15.80)	(17.58)
Operating	(5.16)	(5.95)
Operating netback	26.69	20.68
G&A and other (excludes non-cash items)	(0.66)	(5.28)
Interest expense	(0.17)	--
Interest income	--	1.96
Funds flow netback	25.86	17.36
Depletion, depreciation and accretion	(12.67)	(13.44)
Stock-based compensation	(0.51)	(2.02)
Future tax	(3.86)	(0.55)
Net income netback	8.82	1.35

Although we have a higher royalty per unit, it is offset by higher sales prices for our natural gas due to the heat content of the gas stream and by lower operating expenses. This has resulted in an operating netback of \$26.69/boe for the period.

For the quarter ended March 31, 2007, funds from operations totaled \$8,130,000 or \$0.25 per basic \$0.24 per diluted common share versus funds from operations of \$1,122,000 or \$0.04 per basic and diluted share in 2006.

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

Three Months Ended March 31,	2007	2006
DD&A provision (\$000s)	3,983	869
DD&A provision (\$/boe)	12.67	13.44

For the quarter ended March 31, 2007, depletion was \$3,961,000, depreciation was \$5,000 and accretion was \$17,000 for a total DD&A of \$3,983,000. In the corresponding period of 2006, our total DD&A was \$869,000 consisting of \$859,000 for depletion, \$2,000 for depletion and \$8,000 for accretion. Depletion decreased in 2007 as a result of increased proved reserves at the end of this period.

Income Taxes

Future tax expense totaled \$1,214,000 for the 2007 three-month period compared to \$36,000 for the quarter ended March 31, 2006. This expense reflects the Company's future tax rate applied to the net earnings adjusted for permanent timing differences.

Net Income

For the first quarter ended March 31, 2007, we recorded net income of \$2,772,000 (\$0.09 per basic and \$0.08 per diluted share) compared to net income of \$87,000 (\$0.00 per share) a year ago.

Liquidity and Capital Resources

The following table summarizes the change in working capital during the period ended March 31, 2007 and year ended December 31, 2006:

	Three Months Ended March 31, 2007	Year Ended December 31, 2006
(000s)	(\$)	(\$)
Working capital, beginning of period	(10,772)	15,452
Funds from operations	8,130	7,985
Issue of capital stock for cash (net of share issue expense)	89	23,612
Financial derivative instruments	47	--
Capital expenditures	(17,975)	(57,821)
Working capital, end of period	(20,481)	(10,772)

Since inception on January 23, 2004 to March 31, 2007, we have raised funds through treasury equity issues in the amount of \$65,911,000 (net of share issue expenses) at share prices ranging from \$0.60 to \$6.00 per common share.

We exited the first quarter of 2007 with a working capital deficiency, excluding the current portion of ARO, of \$20,481,000 compared to available credit lines of \$20,000,000. Subsequent to quarter's end, we have secured an expansion to our banking facility to \$40,000,000.

We expect our sales volumes and related cash flow to continue to increase in 2007 based on our forecasted production levels and prices. In order to protect a portion of our revenue stream, in February 2007 we entered into a fixed price contract to sell 2,700 GJs/d of natural gas between March 1 and October 31, 2007 at a price of \$7.72/GJ to our current natural gas purchaser. In 2007, we anticipate incurring approximately \$53 to \$56 million in capital expenditures and expect to fund this by cash flow of \$38 to \$40 million and end the year with working capital deficiency and bank debt of approximately \$27 million.

As at May 25, 2007, we had 32,527,941 common shares and 2,750,000 stock options outstanding.

Related Parties

During 2007, expenses and share issue costs totaling \$6,000 were charged to the Company by a legal firm of which a Director of the Company is a partner.

Commitments

As at March 31, 2007, we had lease commitments for office space and related equipment of \$655,000 and had satisfied our commitments arising from our December 2006 flow-through share issue.

Selected Quarterly Information

Three Months Ended	Jun.30, 2005	Sep.30, 2005	Dec.31, 2005	Mar.31, 2006	Jun.30, 2006	Sep.30, 2006	Dec.31, 2006	Mar.31, 2007
<i>(000s, except per share data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Revenues	67	101	374	2,858	2,618	4,388	9,757	14,982
Funds from operations	(189)	(191)	(148)	1,122	782	1,516	4,565	8,130
Per share – basic	(0.01)	(0.01)	(0.01)	0.04	0.03	0.05	0.15	0.25
Net income (loss)	(94)	(216)	(454)	87	218	61	1,177	2,772
Per share – basic	(0.01)	(0.01)	(0.02)	0.00	0.01	0.00	0.04	0.09
Capital expenditures	3,445	6,424	14,929	11,455	8,037	19,192	19,137	17,975
Positive working capital (net debt)	9,240	2,724	15,452	6,619	10,010	(7,756)	(10,772)	(20,481)
Shareholders' equity	14,387	12,453	40,892	40,775	52,180	52,445	65,344	66,107

Our production, revenue and cash flow increased substantially in 2007 based on our successful 2005 and 2006 drilling programs. We continue to build our drilling inventory primarily in the same areas of operation and expect to yield continued growth over our 2006 levels.

Critical Estimates

Management is required to make judgements and use estimates in the application of generally accepted accounting principles that have significant impact on the financial results of the Company. The following discussion outlines the accounting policies and practices that are critical to determining our financial results.

Full Cost Accounting

We follow the Canadian Institute of Chartered Accountants' ("CICA") guideline on full cost accounting in the oil and gas industry to account for oil and gas properties. Under this method, all costs associated with the acquisition of, exploration for and development of crude oil and natural gas reserves are capitalized and costs associated with production are expensed. The capitalized costs are depreciated, depleted and amortized using the unit-of-production method based on estimated proved reserves. Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of DD&A. A downward revision in a reserve estimate could result in a higher DD&A charge to earnings. In addition, if capitalized costs are determined to be in excess of the calculated ceiling, which is based largely on reserve estimates, the excess must be written off as an expense charged against earnings. In the event of a property disposition, proceeds are normally deducted from the full cost pool without recognition of a gain or loss unless there is a change in the DD&A rate of 20% or greater.

Asset Retirement Obligations

We record a liability for the fair value of our legal obligations associated with the retirement of long-lived assets in the period in which it is incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying value of the related asset and the asset retirement obligation. The total amount of the asset retirement obligation is an estimate based on our net ownership in all wells and facilities, the estimated cost to abandon and reclaim the wells and facilities, the estimated timing of those cash flows, changes in environmental regulations and the discount rate used to calculate the present value of those cash flows are estimates subject to measurement uncertainty. Any change in these estimates would impact the asset retirement liability.

Reserves Determination

The proved crude oil, natural gas and NGLs reserves that are used in determining our depletion rates, the magnitude of the borrowing base available to us from our lender and the ceiling test are based on management's best estimates, and are subject to uncertainty. Through the use of geological, geophysical and engineering data, the reservoirs and deposits of crude oil, natural gas and NGLs are examined to determine quantities available for future production, given existing operations and economic conditions and technology. The evaluation of recoverable reserves is an ongoing process impacted by current production, continuing development activities and changing economic conditions as reflected in crude oil and natural gas prices. Consequently, the reserves are estimated, which are subject to variability. To assist with the reserve evaluation process, we employ the services of independent oil and gas reservoir engineers.

Income Taxes

The determination of our income and other tax liability requires interpretation of complex laws and regulations often involving multiple jurisdictions. All tax filings are subject to audit and potential reassessment after lapse of considerable time. Accordingly, the actual income tax liability may differ significantly from the liability estimated or recorded.

Other Estimates

The accrual method of accounting will require management to incorporate certain estimates including revenues, royalties and production costs as at a specific reporting date but for which actual revenue and royalties have not yet been received, and estimates on capital projects that are in progress or recently completed where actual costs have not been received at a specific reporting date.

Recent Accounting Pronouncements

As of January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 "Accounting Changes," Section 1530 "Comprehensive Income," Section 3251 "Equity," Section 3855 "Financial Instruments – Recognition and Measurement," Section 3861 "Financial Instruments – Disclosure and Presentation" and Section 3865 "Hedges." For a detailed discussion about the accounting policies adopted, please refer to note 2 of the financial statements for the three months ended March 31, 2007.

In addition, the Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company.

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures," Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation." These new standards are effective January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments – Disclosure and Presentation," revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. We are currently assessing the impact of these new standards on our financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

Business Risks and Risk Mitigation

Our operations are subject to risks normally associated with the exploration, development, production and marketing of crude oil and natural gas. The most important of these risks are set out below, together with the strategies we employ to mitigate and minimize these risks.

Inherent Industry Risks – Risk of Failing to Discover Economic Reserve Additions

Our 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.

Financial Risk – Commodity Price Risk and Capital Expenditures Risk

Commodity prices are driven by supply, demand and market conditions outside our influence and control. We manage this risk by constantly monitoring the forecasted price given by aggregators. In addition, from time to time we will employ a commodity hedging program that has a primary goal of minimizing significant downward movements in commodity prices. In February 2007, the Company entered into a fixed price contract to sell 2,700 GJs/d of natural gas between March 1 and October 31, 2007 at a price of \$7.72/GJ to our current natural gas purchaser. Capital expenditures are a controllable risk and include cost control of individual capital items and the tracking of cumulative capital expenditures throughout the budget period. We manage capital expenditures by two separate tracking systems: a historical accounting system that records the actual costs and a perpetual forecasting model that is constantly updated based on real-time information.

It is likely that in the future we will be required to raise additional capital through debt and equity financings in order to fully realize our strategic goals and business plans. Our ability to raise additional capital will depend on a number of factors, such as general economic and market conditions that are beyond our control. If we are unable to obtain additional financing or to obtain it on favourable terms, we may be required to forego attractive business opportunities. We are committed to maintaining a strong balance sheet combined with a flexible capital expenditure program that can be adjusted to capitalize on or reflect acquisition opportunities or a tightening of liquidity sources if necessary.

We manage operational risks by employing skilled professionals utilizing leading-edge technology and conducting regular maintenance and training programs. We have an operational emergency response plan and an operational safety manual is currently being prepared. In addition, a comprehensive insurance program is maintained to mitigate risks and protect against significant losses where possible.

We operate in accordance with all applicable environmental legislation. We strive to maintain compliance with such regulations.

[signed]

STUART C. SYMON
Vice President Finance & Chief Financial Officer
May 25, 2007

BALANCE SHEETS

As at	March 31, 2007	December 31, 2006
<i>(000s) (unaudited)</i>	(\$)	(\$)
Assets (note 4)		
Current		
Accounts receivable (note 9)	6,992	7,618
Prepaid expenses and other	100	330
Financial derivative instruments (note 9)	47	--
	7,139	7,948
Property and equipment (note 3)	93,497	79,124
	100,636	87,072
Liabilities and Shareholders' Equity		
Current		
Bank debt (note 4 and 13)	12,493	898
Accounts payable and accrued liabilities	15,127	17,822
Asset retirement obligations (note 5)	612	305
	28,232	19,025
Future tax liability (note 7)	5,828	2,262
Asset retirement obligations (note 5)	469	441
	6,297	2,703
Commitments (note 11)		
Shareholders' equity		
Share capital (note 6)	61,492	63,700
Contributed surplus (note 6)	1,335	1,136
Retained earnings	3,280	508
	66,107	65,344
	100,636	87,072

See accompanying notes to the financial statements.

On behalf of the Board of Directors,

[signed]

Tim V. Dunne
Director
May 25, 2007

[signed]

John Gareau
Director

STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS (DEFICIT)

Three Months Ended March 31,	2007	2006
<i>(000s, except per share data) (unaudited)</i>	(\$)	(\$)
Revenue		
Liquids and gas revenues	14,982	2,858
Royalty expense, net of Alberta royalty tax credit	(4,970)	(1,137)
Interest revenue	--	127
Unrealized gain on financial derivative instruments <i>(note 9)</i>	47	--
	10,059	1,848
Expenses		
Operating	1,623	385
General and administrative	207	341
Interest	52	--
Stock-based compensation <i>(note 6d)</i>	208	130
Depletion, depreciation and accretion	3,983	869
	6,073	1,725
Income before income taxes	3,986	123
Income taxes		
Future tax expense <i>(note 7)</i>	1,214	36
Net income and comprehensive income	2,772	87
Retained earning (deficit), beginning of period	508	(1,035)
Retained earning (deficit), end of period	3,280	(948)
Net income per share <i>(note 6)</i>		
Basic	0.09	0.00
Diluted	0.08	0.00

See accompanying notes to the financial statements.

STATEMENTS OF CASH FLOWS

Three Months Ended March 31,	2007	2006
<i>(000s) (unaudited)</i>	(\$)	(\$)
Cash provided by (used in):		
Operating activities		
Net income for the period	2,772	87
Add back non-cash items:		
Depletion, depreciation and accretion	3,983	869
Stock-based compensation	208	130
Unrealized gain on financial derivative instruments <i>(note 9)</i>	(47)	--
Future tax expense	1,214	36
Funds from operations	8,130	1,122
Changes in non-cash working capital <i>(note 8)</i>	(4,731)	(2,799)
	3,399	(1,677)
Financing activities		
Issue of common shares, net of share issue expense	89	1,499
Increase in bank debt	11,595	--
Changes in non-cash working capital <i>(note 8)</i>	--	(28)
	11,684	1,471
Investing activities		
Property and equipment additions	(17,975)	(11,455)
Changes in non-cash working capital <i>(note 8)</i>	2,892	667
	(15,083)	(10,788)
Net decrease in cash and cash equivalents	--	(10,994)
Cash and cash equivalents – beginning of period	--	23,388
Cash and cash equivalents – end of period	--	12,394

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007
(unaudited)

1. Nature of Operations

Angle Energy Inc. (the "Company") is a privately held company that was incorporated under the laws of Alberta on January 23, 2004 and commenced active oil and gas operations in Alberta in 2005. These financial statements focus on the Company's operations for the three-month period ended March 31, 2007 and year ended December 31, 2006.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Since the determination of many assets, liabilities, revenues and expenses is dependent upon future events, the preparation of these financial statements requires the use of estimates and assumptions, which have been made with careful judgement. However, actual results could differ from estimated amounts. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Property and Equipment

(i) Capitalized Costs

The Company follows the full cost method of accounting for its petroleum and natural gas operations. Under this method, all costs related to the exploration, development and production of petroleum and natural gas reserves are capitalized in a single Canadian cost centre. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both productive and non-productive wells, production equipment costs, general and administrative costs and stock-based compensation directly related to exploration and development activities. Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being realized, unless such sale would alter the rate of depletion and depreciation by more than 20%. Office equipment is recorded at cost.

(ii) Depletion and Amortization

Petroleum and natural gas properties, net of estimated salvage or residual value, and estimated costs of future development of proved undeveloped reserves are depleted and amortized using the unit-of-production method based on estimated gross proved petroleum and natural gas reserves as determined by independent engineers. For depletion and amortization purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

Costs of unproved properties and seismic costs on undeveloped land are initially excluded from petroleum and natural gas properties for the purpose of calculating depletion. When proved reserves are assigned or the property or seismic is considered to be impaired, the costs of the property or seismic or the amount of the impairment is added to costs subject to depletion.

Office equipment is amortized over its estimated useful life at declining-balance rates between 20% and 50%.

2. Summary of Significant Accounting Policies (continued)

(a) Property and Equipment (continued)

(iii) Ceiling Test

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of property and equipment is compared to the sum of the undiscounted cash flows expected to result from the future production of proved reserves and the sale of unproved properties. Cash flows are based on third party quoted forward prices, adjusted for transportation and quality differentials. Should the ceiling test result in an excess of carrying value, the Company would then measure the amount of impairment by comparing the carrying amounts of property and equipment to an amount equal to the estimated net present value of future cash flows from proved plus probable reserves and the sale of unproved properties. The Company's risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value would be recorded as a permanent impairment.

(b) Asset Retirement Obligations

The Company recognizes the fair value of an Asset Retirement Obligation ("ARO") in the period in which it is incurred when a reasonable estimate of the fair value can be made. The fair value is determined through a review of engineering studies, industry guidelines, and management's estimate on a site-by-site basis. The fair value of the estimated ARO is recorded as a liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on the unit-of-production method based on gross proved reserves. The liability amount is increased each reporting period to reflect the passage of time with the corresponding amount charged to earnings as accretion expense. Actual costs incurred upon the settlement of the asset retirement obligation are charged against the asset retirement obligation to the extent of the liability recorded.

(c) Future Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method future income tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted income tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net income in the period in which the change is substantively enacted. A valuation allowance is recorded to the extent that there is uncertainty regarding utilization of future tax assets.

(d) Joint Operations

Substantially all of the exploration and production activities of the Company are conducted jointly with others and these financial statements reflect only the Company's proportionate interest in such activities.

(e) Stock Options

Under the Company's stock option plan described in note 6, options to purchase common shares are granted to directors, officers, employees and consultants at current market prices. Stock-based compensation expense is recorded in the statement of income, comprehensive income and retained earnings (deficit) for all options granted with a corresponding increase recorded as contributed surplus. Compensation expense is based on the estimated fair values at the time of the grant and the expense is recognized over the vesting term of the options. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest; rather, the Company accounts for the forfeitures as they occur. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that vested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

2. Summary of Significant Accounting Policies (continued)

(f) Flow-Through Shares

Periodically, the Company finances a portion of its exploration and development activities through the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to subscribers. Share capital is reduced and future tax liability is increased by the tax effected amount of the renounced tax deductions at the time of renouncement which is when the related documentation is filed with the appropriate governmental agency and there is reasonable certainty that the expenditures will be incurred.

(g) Revenue Recognition

Revenue from the sale of oil, liquids and natural gas are recognized based on volume delivered at contractual delivery points and rates. The cost associated with the delivery, including operating, transportation and production-based royalty expenses are recognized as operating expenses in the same period in which the related revenue is earned and recorded.

(h) Per Share Amounts

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. The treasury stock method is used to calculate diluted per share amounts whereby proceeds from the exercise of in-the-money stock options or warrants and unrecognized future stock based compensation expense are assumed to be used to purchase common shares of the Company at the average market price during the period. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares.

(i) Cash and Cash Equivalents

The Company considers all highly liquid investments with maturity of three months or less at the time of purchase to be cash equivalents.

(j) Measurement Uncertainty

The amount recorded for depletion and depreciation of petroleum and natural gas properties and the ceiling test calculation are based on estimates of gross proved reserves, production rates, commodity prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effects on the financial statements of changes in such estimates in future years could be significant.

Inherent in the fair value calculation of asset retirements obligations, are numerous assumptions and judgements including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement and changes in the legal and regulatory environments. To the extent future revisions to these assumptions impact the fair value of the existing asset retirement obligation liability, a corresponding adjustment is made to the property and equipment account.

(k) Change in Accounting Policies

As of January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1506 "Accounting Changes," Section 1530 "Comprehensive Income," Section 3251 "Equity," Section 3855 "Financial Instruments – Recognition and Measurement," Section 3861 "Financial Instruments - Disclosure and Presentation" and Section 3865 "Hedges."

CICA Section 1506 "Accounting Changes" provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under the new standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information.

2. Summary of Significant Accounting Policies (continued)

(k) Change in Accounting Policies (continued)

CICA Section 1530 "Comprehensive Income" introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as changes in currency translation adjustment relating to self-sustaining foreign operations, unrealized gains or losses on available-for-sale investments and the effective portion of gains or losses on derivatives designated as cash flow hedges. The application of this revised standard did not result in comprehensive income (loss) being different from the net income for the periods presented.

CICA Section 3855 "Financial Instruments – Recognition and Measurement" prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, and other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- Held for trading financial instruments are measured at fair value. All gains and losses are included in the net earnings in the period in which they arise.
- All derivative financial instruments are classified as held-for-trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period which they arise.

The application of CICA Section 3855 did not have an impact on the Company's financial statements.

CICA Section 3865 "Hedges" provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships" and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company currently uses mark-to-market accounting for its derivative instrument, which does not qualify or have not been designated as a hedge.

In addition, the Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may have a significant impact on the Company:

- As of January 1, 2008, the Company will be required to adopt two new CICA standards, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation," which will replace Section 3861 "Financial Instruments – Disclosure and Presentation." The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The new financial instruments presentation and disclosure requirements were issued in December 2006 and the Company is assessing the impact on its financial statements.

2. Summary of Significant Accounting Policies (continued)

(k) Change in Accounting Policies (continued)

- As of January 1, 2008, the Company will be required to adopt the new CICA standard Section 1535 "Capital Disclosures," which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The new capital disclosure requirements were issued in December 2006 and the Company is assessing the impact on its financial statements.
- In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

3. Property and Equipment

	Cost	Accumulated Depletion and Depreciation	Net Book Value
(000s)	(\$)	(\$)	(\$)
March 31, 2007			
Petroleum and natural gas properties	102,906	9,494	93,412
Office equipment	128	43	85
	103,034	9,537	93,497
December 31, 2006			
Petroleum and natural gas properties	84,572	5,533	79,039
Office equipment	123	38	85
	84,695	5,571	79,124

The Company capitalized \$65,000 (December 31, 2006 – \$390,000) of direct general and administrative costs, capitalized \$46,000, including tax effect of \$13,000 (December 31, 2006 – \$156,000, including tax effect of \$73,000) of stock-based compensation expense and \$202,000 (December 31, 2006 – \$586,000) of operator overhead as related to exploration and development activity for the quarter ended March 31, 2007.

Unevaluated and undeveloped properties with a cost of \$11,367,000 (December 31, 2006 – \$12,705,000), included in petroleum and natural gas properties, have not been subject to depletion as reserves related to these costs had not been evaluated or assigned for the quarter ended March 31, 2007. As at quarter-end, future development costs totaling \$8,971,000 (December 31, 2006 – \$9,083,000) were included in amounts subject to depletion.

The Company performed a ceiling test calculation at March 31, 2007 to assess the recoverable value of its petroleum and natural gas interests. It was determined that there was no impairment.

4. Revolving Bank Demand Loan

The Company has established a revolving demand credit facility with a bank with a borrowing base of \$10,000,000 based on the Company's December 31, 2005 independent reserves report. In December 2006, the Company also secured a term borrowing facility of \$10,000,000, which had been fully utilized as at March 31, 2007. Interest on the revolving loan is charged at prime rate plus 0.25% (term facility prime plus 1.0%), and borrowings can be made in Canadian or U.S. dollars. A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security. At March 31, 2007, one letter of credit in the amount of \$100,000 was outstanding.

5. Asset Retirement Obligations

The Company recorded an asset retirement obligation associated with 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 1.5 to 2.0% and a credit adjusted risk-free interest rate of 7.5 to 8.0% to discount the future estimated cash flows of \$2,449,000, which is expected to be incurred over a period of 1 to 35 years. The obligation was as follows:

(000s)	(\$)
Balance – December 31, 2006	746
Change in estimates	(32)
Liabilities incurred	350
Accretion of asset retirement obligation	17
Balance – March 31, 2007	1,081
Less current portion	(612)
Asset retirement obligation – March 31, 2007	469

6. 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

	Three Months Ended		Year Ended	
	March 31, 2007		December 31, 2006	
	Shares	Amount	Shares	Amount
	(#)	(\$000s)	(#)	(\$000s)
Common Shares				
Balance – beginning of period	32,497,941	63,700	26,507,443	41,548
Common shares issued (i)	30,000	131	4,033,400	17,000
Flow-through shares (i)	--	--	1,611,100	8,000
Tax effect of flow-through shares (i)	--	(2,338)	--	(1,865)
Exercise of warrants (ii)	--	--	345,998	--
Share issue costs	--	(1)	--	(1,388)
Tax benefit of share issue costs	--	--	--	405
Balance – end of period	32,527,941	61,492	32,497,941	63,700
Warrants (ii)				
Balance – beginning of period	--	--	345,998	--
Warrants exercised in the period (ii)	--	--	(345,998)	--
Balance – end of period	--	--	--	--
Contributed Surplus				
Balance – beginning of period	--	1,136	--	379
Stock-based compensation expense – options	--	241	--	757
Reduction due to exercise of options	--	(42)	--	--
Balance – end of period	--	1,335	--	1,136

6. Share Capital (continued)

(b) Issued (continued)

(i) Private Placements

In January 2007, 30,000 common shares were issued at \$3.00 per share as a result of an exercise of stock options.

In December 2006, the Company issued 1,800,000 common shares at \$5.00 per share and 500,000 flow-through common shares at \$6.00 per share for total proceeds of \$12,000,000. Under the terms of the flow-through agreement, the Company is committed to spend \$3,000,000 on qualified exploration and development expenditures by December 31, 2007. As at March 31, 2007, the Company had satisfied this commitment and the tax liability was recognized in the first quarter of 2007 as the required documentation was filed with the applicable authorities.

In June 2006, the Company issued 1,733,400 common shares at \$3.75 per share and 1,111,100 flow-through common shares at \$4.50 per share for total proceeds of \$11,500,200. Under the terms of the flow-through agreement, the Company is committed to spend \$4,999,500 on qualified exploration and development expenditures by December 31, 2007. As at December 31, 2006, the Company had satisfied this commitment and the tax liability was recognized in the first quarter of 2007 as the required documentation was filed with the applicable authorities.

In March 2006, the Company issued 500,000 common shares at \$3.00 per share to employees and directors for total proceeds of \$1,500,000.

(ii) Warrant Issue and Exercise

In June 2004, the Company issued 6,920,000 units at a price of \$1.00 per unit for gross proceeds of \$6,920,000. The units consisted of one common share and one liquidity warrant. A total of 345,998 liquidity warrants were issued. Each liquidity warrant entitles the holder thereof to acquire a common share for no additional consideration in the event a liquidity event has not occurred by June 30, 2006. A liquidity event means either the common shares are not subject to any restrictions and are listed on either the TSX Venture Exchange or the Toronto Stock Exchange or all of the issued and outstanding common shares have been sold or exchanged pursuant to a takeover bid, plan of arrangement or other business combination.

No value has been ascribed to the liquidity warrants and the Company issued 345,998 common shares on the exercise of these warrants on June 30, 2006.

Pursuant to private placements in June 2004, the agents were granted 558,500 common share warrants at an exercise price of \$1.30 per common share warrant. The warrants had an expiry date of December 31, 2005. As at the date of issuance, a value of \$84,000 was assigned to the warrants using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 4.50%, expected term of 1.5 years, weighted average stock volatility of 45% and expected future dividends of \$0.00 per share.

In December 2005, the 558,500 warrants were exercised into common shares at an exercise price of \$1.30 per common share for gross proceeds of \$726,000.

(c) Per Share

Net income per common share is calculated using the weighted average number of shares outstanding during the quarter ended March 31, 2007 of 32,522,941 basic and 33,695,859 diluted (March 31, 2006 – 26,512,998 basic and 27,076,644 diluted).

6. Share Capital (continued)

(d) 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 for officers, employees, directors and consultants. Under the plan, options vest equally one third from the first year anniversary and expire at the earlier of the term set out in the particular option agreement or immediately from the date from which the optionee ceases to be a director, officer, employee or consultant of the Company or six months after the involuntary withdrawal of the optionee.

The following summarizes information about stock options outstanding as at March 31, 2007 and December 31, 2006:

	Options (#)	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2006	2,845,000	2.28
Granted in the period	--	--
Exercised in the period	(30,000)	3.00
Cancelled in the period	(65,000)	3.06
Outstanding at March 31, 2007	2,750,000	2.25

Exercise Price	Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Exercisable (#)	Weighted Average Exercise Price (\$)
As at March 31, 2007					
1.00	1,205,000	2.6	1.00	764,973	1.00
3.00	1,075,000	3.7	3.00	358,324	3.00
3.75	470,000	4.4	3.75	--	--
	2,750,000	3.3	2.25	1,123,297	1.64

There were no options issued during the first three months of 2007 and the fair value of common share options granted in the first quarter of 2006 was estimated to be \$905,000 or \$1.32 per weighted average option as at the date of grant using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate (%)	4.50
Expected life (years)	5.00
Expected volatility (%)	45.00
Expected dividend yield (%)	0.00

During the first three months of 2007, \$208,000 (2006 – \$130,000) was recognized as stock-based compensation expense and \$46,000, including tax effect of \$13,000 (2006 – \$31,000) was capitalized to the full cost pool in 2007 with a corresponding increase to contributed surplus.

7. Income Taxes

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to loss before income taxes. These differences are explained as follows:

Three Months Ended March 31,	2007	2006
(000s)	(\$)	(\$)
Income before income tax	3,986	123
Tax rate	32.12%	35.62%
Computed income tax provision	1,280	44
Increase (decrease) in income taxes resulting from:		
Non-deductible expenses	2	2
Crown royalties and charges	--	2
Resource allowance	--	(56)
Stock-based compensation	67	46
Rate adjustment	(135)	(2)
Provision for income tax expense	1,214	36

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's net future income tax assets and liabilities are as follows:

As at	March 31,	December 31,
(000s)	2007	2006
	(\$)	(\$)
Future income tax assets (liabilities)		
Non-capital losses carryforward	1,143	1,298
Share issue costs	718	780
Net book value of property and equipment in excess of tax basis	(8,012)	(4,565)
Attributed Canadian royalty income	7	7
Asset retirement obligation	316	218
Future income tax asset (liability)	5,828	(2,262)

For the quarter ended March 31, 2007, the Company had a net operating losses of approximately \$3,912,000 (December 31, 2006 – \$4,439,000) and approximately \$72,908,000 (December 31, 2006 – \$66,565,000) in tax pools for utilization in future years. These losses expire on December 31, 2015 and December 31, 2014.

8. Changes in Non-Cash Working Capital

Three months ended March 31,	2007	2006
(000s)	(\$)	(\$)
Accounts receivable	626	(3,257)
Prepaid expenses & other	230	8
Accounts payable and accrued liabilities	(2,695)	1,089
	(1,839)	(2,160)

8. Changes in Non-Cash Working Capital (continued)

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

Three months ended March 31, (000s)	2007 (\$)	2006 (\$)
Operating	(4,731)	(2,799)
Financing	--	(28)
Investing	2,892	667
	(1,839)	(2,160)

9. Financial Instruments

Fair Value of Financial Assets and Liabilities

Financial instruments of the Company consist primarily of accounts receivable, financial derivative instruments, accounts payable and bank debt. As at March 31, 2007, there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values due to the short-term nature of these instruments.

Credit Risk Management

Accounts receivable include amounts receivable for petroleum and natural gas sales that are generally made to credit-worthy purchasers, and amounts receivable from joint venture partners that are recoverable from production. Accordingly, management views credit risks on these amounts as low. Of significant individual accounts receivable at March 31, 2007, approximately 66% was owed from two customers (December 31, 2006 – 59% was owed from two customers). The Company has not experienced any material credit loss in the collection of receivables in the past.

Risk Management Activities:

The Company has entered into derivative financial instruments for the purpose of protecting a portion of its funds from operations from the volatility of natural gas commodity prices. The Company has not designated the derivatives as a hedge for accounting purposes and has therefore recorded the unrealized gains and losses on these contracts in the balance sheet as assets or liabilities with changes in their fair value recorded in net earnings for the period. Realized gains or losses from financial instruments related to commodity prices are recognized in the Statement of income, comprehensive income and retained earnings (deficit) as the related sales occur.

As at March 31, 2007, the Company had recognized a financial derivative instrument asset of \$47,000.

The following is a summary of all derivative contracts in place as at March 31, 2007:

Natural Gas	Volume	Pricing Point	Strike Price	Term
Fixed Price	2,700 GJ/d	AECO	CDN\$7.72	Mar.1/07 – Oct.31/07

10. Related Parties

During the three months ended March 31, 2007, expenses and share issue costs were recorded totaling \$6,000 (2006 – \$3,000) that were charged to the Company by a legal firm of which a Director of the Company is a partner and \$1,300 (2006 – \$nil) remained in accounts payable at period end. This Director was previously a partner with a different legal firm for which expenses and share issue costs were recorded totaling \$nil (2006 – \$67,000) as at March 31, 2007. These amounts are recorded at the exchange amounts agreed to by the related parties.

11. Commitments

The Company has lease commitments for office premises and office equipment which expire in 2010. Future annual minimum lease payments under the leases are as follows:

(000s)	(\$)
2007	145
2008	185
2009	185
2010	140
	655

12. Basis of Presentation

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period.

13. Subsequent Event

In May 2007, the Company established a revolving demand credit facility with a bank with a borrowing base of \$40,000,000 based on the Company's December 31, 2006 independent reserves report. The credit facility provides that advances may be made by way of direct advances or guaranteed notes. Direct advances bear interest at the bank's prime rate plus 0.25% and guaranteed notes bear interest at the applicable banker's acceptance rate plus 1.65%. Under the terms of the facility, certain financial covenants must be maintained. A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security. Concurrent with acceptance of this new credit facility, the Company will cancel the term credit facility in place at March 31, 2007.

CORPORATE INFORMATION

Board of Directors

Gregg Fischbuch
President & Chief Executive Officer
Angle Energy Inc.

Noralee Bradley
Partner
Osler Hoskin & Harcourt LLP

Clarence Chow ⁽¹⁾ ⁽²⁾
President
AGS Energy Inc.

John Gareau ⁽¹⁾
Independent Businessman

Edward Muchowski ⁽²⁾
Independent Businessman

Tim Dunne ⁽¹⁾
Independent Businessman

(1) Audit Committee Member
(2) Reserves Committee Member

Officers

D. Gregg Fischbuch
President & Chief Executive Officer

Heather Christie-Burns
Vice President Engineering & Chief Operating Officer

Stuart C. Symon
Vice President Finance & Chief Financial Officer

Gregory W. Chury
Vice President Land

Head Office

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

Auditors

Ernst & Young LLP

Banker

ATB Financial

Evaluation Engineers

GLJ Petroleum Consultants Ltd.

Legal Counsel

Osler Hoskin & Harcourt LLP

Transfer Agent

CIBC Mellon Trust Company

Abbreviations

bbls	barrels
bbls/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmboe	million barrels of oil equivalent
mmcf	million cubic feet
mmcf/d	million cubic feet per day