



ANGLEENERGYINC

Q1

**First Quarter Interim Report** for the Three Months Ended March 31, 2008**HIGHLIGHTS**

Three Months Ended March 31,	2008	2007	Change
<i>(000s, except per share data) (unaudited)</i>	(\$)	(\$)	(%)
<b>Financial</b>			
Oil and gas revenues	22,484	15,029	50
Funds from operations <sup>(1)</sup>	14,126	8,130	74
Per share – basic	0.41	0.25	64
Per share – diluted	0.40	0.24	67
Net income	2,984	2,772	8
Per share – basic	0.09	0.09	--
Per share – diluted	0.08	0.08	--
Capital expenditures	17,036	17,975	(5)
Net debt <sup>(2)</sup>	34,598	20,528	69
Shareholders' equity	84,626	66,107	28
Shares outstanding (#)			
At end of period	34,615	32,528	6
Weighted average – basic	34,591	32,523	6
Weighted average – diluted	35,341	33,696	5
			(%)
<b>Operating</b>			
Sales			
Crude oil <i>(bbls/d)</i>	18	1	--
Natural gas liquids <i>(bbls/d)</i>	2,365	1,451	63
Natural gas <i>(mcf/d)</i>	18,401	12,250	50
Total oil equivalent <i>(boe/d)</i>	5,450	3,494	56
Average wellhead prices <sup>(3)</sup>			
Crude oil <i>(\$/bbl)</i>	104.28	63.18	65
Natural gas liquids <i>(\$/bbl)</i>	53.92	49.08	10
Natural gas <i>(\$/mcf)</i>	7.92	7.77	2
Total oil equivalent <i>(\$/boe)</i>	50.49	47.65	6
Gross (net) wells drilled (#)			
Oil	2.0 (1.5)	--	--
Gas	3.0 (1.9)	5.0 (4.6)	(40)
Dry and abandoned	1.0 (1.0)	2.0 (1.5)	50
Total	6.0 (4.4)	7.0 (6.1)	14
Average working interest (%)	73	87	(16)

(1) 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.

(2) Excluding derivative instrument and related future tax asset.

(3) Product prices include realized gains or loss from derivative instruments.

## LETTER TO SHAREHOLDERS

*Fellow Shareholder:*

*Angle Energy Inc. is pleased to report the following results for the three months ended March 31, 2008:*

- Drilled 6 gross (4.4 net) wells during the quarter with a 77% success rate and at an average working interest of 73%, including a significant gas discovery in the Ferrier area.*
- Continued successful delineation of our light oil discovery in the Harmattan area.*
- Entered into a 7.25-section farm-in in the Lone Pine area on EMC freehold land with Wabamun gas potential.*
- Realized average production of 5,450 boe/d for the first quarter of 2008, representing a 56% increase over the same three-month period in 2007.*
- Generated first quarter cash flow of \$14,126,000 or \$0.40 per diluted share, a 73% increase over the comparable period in 2007.*
- Recorded net income of \$2,984,000 or \$0.08 per diluted share for the first three months of 2008.*

### **Operations**

#### ***Harmattan***

*At Harmattan, significant production volumes placed on-stream in late December 2007 continued to show stable strength through the first quarter of 2008. Production in the area averaged 4,450 boe/d during the three months ended March 31, 2008, which was composed of 13.4 mmcf/d of sales gas production and 2,225 boe/d of NGLs. Angle currently operates materially all of its production in the Harmattan area, attributed to four Elkton wells and 21 Eilerslie/Mannville producers. We expect to dedicate approximately \$33.0 million of our fiscal 2008 capital expenditures budget and anticipate drilling a minimum of 12 total wells in this core area this year. During the first quarter, three wells were drilled in the Harmattan area, 2 gross (1.5 net) exploratory locations and 1 gross (1.0 net) development location. Angle was successful at 2 gross (1.5 net) of the three wells with both of the successful wells encountering light oil. The development oil well has provided further test information for Angle in its pursuit of delineating a significant Mannville light oil discovery. Each of these wells will be brought on production in the second quarter of 2008. At quarter-end, Angle had eight total wells in the Harmattan area still to tie-in, which are anticipated to add a stabilized 800 boe/d to the Company's total production. In the second quarter of 2008, Angle will experience a production outage at Harmattan related to turn around activities at the AltaGas (Taylor) complex. Anticipated downtime will affect 1,200 to 1,500 boe/d of production during this three-week period. Post turn around, we anticipate to be producing greater than 5,000 boe/d from the Harmattan area as a number of tie-ins were completed in April.*

### ***Ferrier***

*The Ferrier core area continues to expand in production and value for our Company. Average production in the first quarter was 1,000 boe/d, which was comprised of 3.0 mmcf/d of sales gas and 500 boe/d of NGLs from five Ellerslie wells. Angle operates 98% of this production. We drilled 3 gross (1.8 net) development wells in the quarter with a 100% completion success rate, targeting gas in the Ellerslie and Ostracod formations. One of the wells, at 100% working interest, has been flow tested at a significant rate (estimated AOF greater than 25.0 mmcf/d) and we expect to produce the well initially at approximately 5.0 mmcf/d. All three wells were brought on production early in the second quarter of 2008. As at the date of this report, production has increased to 1,500 boe/d from seven Ellerslie gas wells. Current production capacity (tested volumes) in the Ferrier area is greater than 2,000 boe/d, primarily achieved by the installation of compression in the third quarter of 2007. Plans are to spend approximately \$23.5 million in the Ferrier area during 2008, drilling a minimum of seven wells and adding compression to optimize reserves recovery.*

### ***Lone Pine Creek***

*The Company has put together a strategic land position in the Lone Pine Creek area east of our existing Harmattan core lands. The drilling target in the Lone Pine area is an internally generated prospect targeting the Devonian Wabamun. Prior to 2008, Angle had purchased 7,040 acres of Crown land at 100% working interest in a position to extend a 500 bcf Wabamun gas pool. In February 2008, the Company complemented this base by signing a 4,640-acre (7.25-section) farm-in with ExxonMobil Canada Energy. Consequently, Angle now holds a contiguous land position of 11,680 acres at 100% working interest. The initial commitment well to ExxonMobil is planned to be drilled in the latter part of 2008, subject to surface access. The play is targeting a liquids rich, 5% hydrogen sulphide content gas. Regulatory issues may affect the timing of this area's first drill.*

### ***Outlook***

*In summary, we added significant value for the Company during the first quarter of 2008 by our successful extension of a prolific Ellerslie pool in the Ferrier area. We expect this development will yield several follow-up locations on Angle controlled lands at working interests ranging from 75% to 100%. In addition, the compression project planned for Ferrier will allow our base production from this area to effectively double from the first quarter average of 1,000 boe/d. We are also encouraged by the delineation drilling completed to date in our Harmattan light oil pool where early results point to a significant accumulation. Angle controls approximately 70% of the potential pool at a 100% working interest.*

*Angle currently has over 50 drill ready locations on Company controlled lands with over half of these locations targeting light oil development. In addition, the exposure to high impact and growth potential areas in Lone Pine Creek and Deanne could provide material increases to Angle's value. Our Company is currently producing in excess of 6,000 boe/d with capacity of 7,000 boe/d from additional tie-ins and compression projects.*

*As discussed in past periods, we continue to review opportunities to provide liquidity for our shareholders. Currently, the commodity market for both oil and natural gas has been robust, and as a result, Angle will consider the proper course of action to serve our shareholders best.*

*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 efforts throughout the remainder of the year.*

On behalf of the Board of Directors,

*[ signed ]*

Gregg Fischbuch  
President & Chief Executive Officer  
May 23, 2008

## 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, 2008 and 2007 and should be read with the accompanying March 31, 2008 unaudited interim financial statements and notes as well as the audited financial statements for the year ended December 31, 2007. 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 23, 2008.

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 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.

### Non-GAAP Measurements

This MD&A contains the terms "funds generated by operations" and "funds generated by operations per share," 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. Angle's determination of funds generated by operations and funds generated by operations per share may not be comparable to that reported by other companies. Management uses funds generated by operations to analyze operating performance and leverage, and considers funds generated by 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 generated by operations is calculated using cash flow from operating activities as presented in the statement of cash flows before changes in non-cash working capital and settlement of retirement costs. Angle presents funds generated by 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 generated by operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP:

Three Months Ended March 31,	2008	2007
(000s)	(\$)	(\$)
Cash flow from operating activities	11,483	3,399
Changes in non-cash working capital	2,643	4,731
Funds generated by operations	14,126	8,130

### 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, 2008 and 2007.

## Operating Results

### Drilling Activity

	Exploration		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
<b>January 1 to March 31, 2008</b>						
Crude oil and NGLs	1.0	0.5	1.0	1.0	2.0	1.5
Natural gas	--	--	3.0	1.9	3.0	1.9
Dry and abandoned	1.0	1.0	--	--	1.0	1.0
Total wells	2.0	1.5	4.0	2.9	6.0	4.4
Success rate (%)		33		100		77
Average working interest (%)		75		73		73
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

To March 31, 2008, we drilled 6 gross (4.4 net) wells of which 3 gross (2.5 net) wells were in the Harmattan core area and 3 gross (1.9 net) wells were in the Ferrier area. Our success rate is calculated on a net working interest completion basis. During the remainder of 2008, we expect to drill 13 to 18 wells in the Harmattan and Ferrier areas of operation as well as two potential high impact exploration prospects.

### Capital Expenditures

Capital expenditures for the three months ended March 31, 2008 and 2007 are summarized in the following table:

Three Months Ended March 31,	2008	2007
(000s)	(\$)	(\$)
Drilling and completions	10,982	11,127
Equipment and facilities	4,981	4,351
Geological and geophysical	328	193
Land and lease retention	462	2,236
Head office	22	3
Capitalized G&A and other	261	65
Total	17,036	17,975

For the first quarter of 2008, drilling and completions expenditures totaled \$10,982,000 (2007 – \$11,127,000) that involved the drilling of 6 gross (4.4 net) wells of which 5 gross (3.4 net) wells were successful and 1 gross (1.0 net) well was dry for a 77% net success rate. In the comparative three-month period of 2007, the Company drilled 7 gross (6.1 net) wells for a 75% net success rate.

The Company's expenditures on facilities totaled \$4,981,000 (2007 – \$4,351,000) primarily for wellsite facilities and related gathering pipelines.

Land purchases and lease retention costs incurred in the first quarter of 2008 totaled \$462,000 compared to \$2,236,000 in 2007. We were very active in Crown land sales in 2007.

For the 2008 fiscal year, we expect to incur total capital expenditures of approximately \$67,000,000 and anticipate drilling 23 to 26 gross wells.

## Financial and Operating Results of Oil and Gas Activities

### Sales, Revenue and Price

Three Months Ended March 31,	2008	2007
<b>Sales</b>		
Light crude oil sales (bbls/d)	18	1
NGLs sales (bbls/d)	2,365	1,451
Natural gas sales (mcf/d)	18,401	12,250
Total sales (boe/d)	5,450	3,494
Total sales (boe)	495,981	314,437
(000s)	(\$)	(\$)
<b>Revenue</b>		
Light crude oil	171	6
NGLs	11,607	6,409
Natural gas	12,998	8,567
Realized derivative gain	265	--
Total natural gas	13,263	8,567
Total revenue before unrealized derivative (loss) gain	25,041	14,982
Unrealized derivative (loss) gain	(2,557)	47
Total revenue	22,484	15,029
<b>Average Prices</b>		
Light crude oil sales price (\$/bbl)	104.28	63.18
NGLs sales price (\$/bbl)	53.92	49.08
Natural gas sales price (\$/mcf)	7.38	7.77
Realized derivative gains (\$/mcf)	0.54	--
Total natural gas price (\$/mcf)	7.92	7.77
Total sales price (\$/boe)	50.49	47.65

For the first quarter of 2008, revenue was \$25,041,000 (before unrealized derivative loss or gain) on average sales volumes of 5,450 boe/d compared to \$14,982,000 and 3,494 boe/d for the same period in 2007. The 67% revenue gain resulted from a 58% increase in sales volumes while our prices increased by 9%. We continue to have success in our drilling program with significant volumes from our new Ferrier core area. During 2008, we expect that production from Ferrier will increase by 10% to contribute approximately 30% of our total sales volumes.

Our product volume mix is 56% natural gas, 43% NGLs with the remainder in light crude oil. We expect our light crude oil to increase to approximately 4% in 2008.

Our drilling operations primarily target natural gas that is rich in associated NGLs. Our NGLs are comprised of approximately 46% propane, 29% ethane and 25% condensate. The price received for our NGLs is based on this mix, with the condensate having the highest value of the NGLs stream.

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.

The Company had fixed the price applicable to future sales through the following contracts, from which we had recorded \$265,000 in realized price gains and \$2,557,000 in unrealized price losses to March 31, 2008:

Natural Gas	Volume	Pricing Point	Strike Price	Term
Fixed Price/Physical	1,600 GJ/d	AECO	CDN\$6.44/GJ	Nov.1/07 – Mar.31/08
Collar/Physical	1,500 GJ/d	AECO	CDN\$6.00/GJ (floor) – \$7.00/GJ (ceiling)	Nov.1/07 – Mar.31/08

During the quarter, the Company entered into the following fixed price contracts with its current natural gas purchaser:

Natural Gas	Volume	Pricing Point	Strike Price	Term
Fixed Price/Physical	4,700 GJ/d	AECO	CDN\$6.89/GJ	Apr.1/08 – Oct.31/08
Fixed Price/Physical	500 GJ/d	AECO	CDN\$7.68/GJ	Apr.1/08 – Jun.1/08
Fixed Price/Physical	2,500 GJ/d	AECO	CDN\$7.90/GJ	Jun.1/08 – Oct.31/08

Our hedged volume is 18% of our total natural gas sales for the 2008 forecast period.

We expect our average sales volumes to be in the range of 5,900 boe/d to 6,100 boe/d in 2008, which includes a disruption in production for approximately four weeks over April and May due to a scheduled plant shutdown at Harmattan.

### ***Royalties***

Three Months Ended March 31,	2008	2007
(000s)	(\$)	(\$)
Total revenue before unrealized derivative (loss) gain	<b>25,041</b>	14,982
Royalties		
Crown	<b>4,680</b>	1,764
Other	<b>2,923</b>	3,206
Total royalties	<b>7,603</b>	4,970
	(%)	(%)
% of Revenue		
Crown	<b>19</b>	12
Other	<b>12</b>	21
Total	<b>31</b>	33

For the first quarter of 2008, we recorded total royalties of \$7,603,000 or 31% of revenue versus \$4,970,000 or 33% of revenue for the same period in 2007. Our royalty rate was lower in 2008 due to a higher proportion of production from Crown leases, which carry a lower royalty rate compared to our freehold and gross overriding royalties.

We expect our royalty rate will average approximately 30% for 2008 as we bring on additional production from Crown lands.

On October 25, 2007, The Government of Alberta released the New Royalty Framework ("NRF"). The NRF is the government's response to a report issued September 18, 2007 by the Alberta Royalty Review Panel, which was commissioned by the provincial government to perform a review of the province's royalty system. The NRF addresses royalty changes on oil, natural gas and NGLs, which primarily affects Angle in relation to natural gas and NGLs. Our Company's production is solely within the Province of Alberta. On January 1, 2009, Crown royalty rates for high volume natural gas wells (greater than 580 mcf/d) will be increased materially, but the final determination of royalty payable is sensitive to both natural gas prices and well production rates. Wells drilled to measured depths greater than 2,500 metres will qualify for a reduction in royalty payable. The majority of Angle's acreage has production targets that range in depth from 2,200 to

over 2,700 metres. As a consequence, our royalty payable will be reduced at production rates less than 1.0 mmcf/d. The amount of the royalty reduction will be dependent upon the measured drilled depth of the well, the rate of production and the price of natural gas.

We have reviewed the changes proposed by the government to its royalty program to take effect on January 1, 2009 and herein provide our comments. Of our total current royalties payable, 62% are Crown royalties and 38% are freehold and gross overriding royalties. Our royalties attributable to freehold and gross overriding interests will not be affected by the government's NRF program as there are no proposed changes to the government's calculation of mineral tax pertaining to freehold leases. Our leases subject to Crown royalties have natural gas wells with both lower and higher rates of production and have measured depths on average between 2,300 and 2,700 metres. The higher rate wells will be subject to an increased Crown royalty rate, while the lower rate wells will pay decreased royalties.

Based on the information we have to date regarding the impact of the NRF on estimated operating income, we have determined that as a result of the changes proposed in the NRF, our estimated operating income in 2009 (as per the GLJ January 1, 2008 price forecast) will be negatively impaired by less than 3%. Likewise, we see no material impact to our net asset value under this same evaluation. We expect that our mix of Crown to freehold and gross overriding royalties to change to approximately 44% and 56%, respectively, when the NRF is scheduled to take effect in 2009. The impact to operating income and reserves values described above is an evaluation of Angle's reserves effective January 1, 2008. We will continue to monitor the NRF as it transitions from the current proposed state into legislation and will provide additional information as it relates to Angle.

### ***Operating Expenses***

Three Months Ended March 31, (000s)	2008 (\$)	2007 (\$)
Operating expense	2,198	1,518
Transportation expense	157	105
Total operating expenses	2,355	1,623
Operating expenses (\$/boe)	4.75	5.16

Total operating expenses were \$2,355,000 or \$4.75/boe for the three months ended March 31, 2008 versus \$1,623,000 or \$5.16/boe a year ago. Our per boe rate for the current quarter was lower than the same period in 2007 due to increased sales volumes absorbing fixed operating costs and operating efficiencies on our variable operating expenses.

We expect our 2008 per unit operating expenses to be approximately \$4.50/boe, which is slightly higher than the 2007 levels of \$4.45/boe as a result of increased sales volumes from our Ferrier area of operations.

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

Three Months Ended March 31, (000s)	2008 (\$)	2007 (\$)
G&A expenses	968	474
G&A capitalized (direct)	(261)	(65)
G&A recoveries via operations	(126)	(202)
G&A expenses (net)	581	207

G&A net expenses totaled \$581,000 for the three months ended March 31, 2008 versus \$207,000 in the same period a year ago. During the first quarter of 2008, we capitalized \$261,000 (2007 – \$65,000) in direct costs relating to our exploration and development efforts and \$126,000 (2007 – \$202,000) relating to operator recoveries on capital expenditures.

We recorded non-cash stock-based compensation expense of \$202,000 (2007 – \$208,000) and capitalized \$92,000 (2007 – \$46,000) for total stock-based compensation of \$294,000 (2007 – \$254,000) during the first quarter of 2008.

Our G&A expenses have increased substantially period-over-period in line with our production growth.

We currently have 14 full time professionals and four part time employees. We expect our G&A expenses for fiscal 2008 to be approximately \$3,300,000 (\$1.48/boe) after capitalization as we expect to hire four to five full time professionals during the balance of 2008.

### ***Interest Expense***

Interest expense incurred for the period ended March 31, 2008 totaled \$381,000 (2007 – \$52,000), resulting from increased use of our credit facilities in 2008 to partially fund our capital expenditures.

### ***Netbacks (per unit)***

Three Months Ended March 31,	2008	2007
	(\$/boe)	(\$/boe)
Sales prices	<b>50.49</b>	47.65
Royalties	<b>(15.33)</b>	(15.80)
Operating	<b>(4.75)</b>	(5.16)
Operating netback	<b>30.41</b>	26.69
G&A and other (excludes non-cash items)	<b>(1.17)</b>	(0.66)
Interest revenue	<b>0.01</b>	(0.17)
Interest expense	<b>(0.77)</b>	--
Funds flow netback	<b>28.48</b>	25.86
Depletion, depreciation and accretion	<b>(13.45)</b>	(12.67)
Stock-based compensation	<b>(0.41)</b>	(0.55)
Unrealized (loss) gain on derivative instrument	<b>(5.15)</b>	0.04
Future tax expense	<b>(3.45)</b>	(3.86)
Net income netback	<b>6.02</b>	8.82

Although we have a higher royalty per unit than our industry peers, 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 resulted in an operating netback of \$30.41/boe for the 2008 three-month period compared to \$26.69/boe for the same period in 2007.

### ***Funds from Operations and Cash Flow from Operating Activities***

For the first quarter of 2008, we recorded funds from operations of \$14,126,000 or \$0.41 per basic and \$0.40 per diluted share compared to \$8,130,000 or \$0.25 per basic and \$0.24 per diluted share in the comparable period in 2007. Refer to the beginning of this MD&A section for discussion and reconciliation of funds generated by operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP.

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

Three Months Ended March 31,	2008	2007
DD&A provision (\$000s)	<b>6,672</b>	3,983
DD&A provision (\$/boe)	<b>13.45</b>	12.67

The DD&A provision for the three-month period ended March 31, 2008 was \$6,672,000 or \$13.45/boe compared to \$3,983,000 or \$12.67/boe recorded in the same period of 2007. Our total provision has increased 68% over the same period in 2007 of which 56% results from the increase in production volumes and the balance due to the change in per unit rate.

### ***Income Taxes***

Future tax expense provision totaled \$1,711,000 during the first three months of 2008 compared to \$1,214,000 recorded in the same period of 2007. An analysis of the income tax provision is included in the notes to the financial statements.

### ***Net Income***

For the period ended March 31, 2008, we recorded net income of \$2,984,000 or \$0.09 per basic and \$0.08 per diluted share compared to a net income of \$2,772,000 or \$0.09 per basic and \$0.08 per diluted share in the same period of 2007.

### **Liquidity and Capital Resources**

The following table summarizes the change in working capital during the three months ended March 31, 2008 and the year ended December 31, 2007:

	<b>Three Months Ended March 31, 2008</b>	Year Ended December 31, 2007
<i>(000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Working capital (deficiency) – beginning of period	<b>(31,819)</b>	(10,772)
Funds from operations	<b>14,126</b>	29,663
Issue of capital stock for cash (net of share issue expense)	<b>142</b>	8,389
Derivative instruments	<b>(2,557)</b>	11
Future tax asset	<b>751</b>	--
Capital expenditures	<b>(17,036)</b>	(59,110)
Working capital (deficiency) – end of period	<b>(36,393)</b>	(31,819)

Since inception on January 23, 2004 to March 31, 2008, we have raised funds through treasury equity issues in the amount of \$74,395,000 (net of share issue expenses) at share prices ranging from \$0.60 to \$6.00 per common share.

We exited the period with bank debt and working capital deficiency of \$36,393,000 (\$34,598,000 excluding the unrealized derivative liability and related future tax asset) compared to available credit lines of \$50,000,000. Our credit line is currently under review and we expect an increase as our independently evaluated proved reserves grew by 48% in fiscal 2007.

We expect our sales volumes and related cash flow to continue to increase in 2008 based on our forecasted production levels and prices. In fiscal 2008, we anticipate incurring approximately \$67 million in capital expenditures, which is expected to be funded by cash flow of approximately \$63 million. We expect to end the year with working capital deficiency and bank debt of approximately \$36 million.

In order to protect a portion of our revenue stream, during 2008 we entered into forward sales contracts. Our forward sales contracts have been described in this MD&A section under the heading "Sales, Revenue and Price."

As at May 23, 2008, we had 34,682,074 common shares and 3,321,667 stock options issued and outstanding.

### Selected Quarterly Information

Three Months Ended	Mar.31, 2008	Dec.31, 2007	Sep.30, 2007	Jun.30, 2007	Mar.31, 2007	Dec.31, 2006	Sep.30, 2006	Jun.30, 2006
<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	<b>148,891</b>	134,371	115,490	101,459	100,636	87,072	66,207	61,598
Total sales <i>(boe/d)</i>	<b>5,450</b>	3,532	2,989	3,326	3,494	2,469	1,218	701
Revenue	<b>22,484</b>	13,952	12,351	14,409	15,029	9,757	4,388	2,618
Funds from operations	<b>14,126</b>	7,672	6,561	7,300	8,130	4,565	1,516	782
Per share – basic	<b>0.41</b>	0.23	0.20	0.22	0.25	0.15	0.05	0.03
Net income	<b>2,984</b>	2,932	1,225	2,721	2,772	1,177	61	218
Per share – basic	<b>0.09</b>	0.09	0.04	0.08	0.09	0.04	0.00	0.01
Capital expenditures	<b>17,036</b>	18,563	17,919	4,653	17,975	19,137	19,192	8,037
Working capital (deficiency)	<b>(36,393)</b>	(31,819)	(29,013)	(17,236)	(20,481)	(10,772)	(7,756)	10,010
Shareholders' equity	<b>84,626</b>	82,461	70,838	69,356	66,107	65,344	52,445	52,180

### Contractual Obligations

We have a committed term facility with a Canadian bank. The authorized borrowing amount under this facility as at March 31, 2008 was \$50,000,000 of which \$22,588,000 was outstanding. Additional disclosure relating to bank debt is provided in the notes to the financial statements. Our commitments are summarized below:

	2008	2009	2010
<i>(000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Operating lease – office	381	381	286
Exploration expenditures (flow-through)	2,854	--	--
Bank debt	22,588	--	--
Total	25,823	381	286

### Related Party and Off-Balance Sheet Transactions

We have 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 three months of 2008, we incurred \$251,000 in costs with Osler. We expect to continue using their services throughout 2008.

We were not involved in any off-balance transactions during the three months ended March 31, 2008 or the year ended December 31, 2007.

### Changes in Accounting Disclosures

Except as discussed in this section, please refer to our accounting disclosures as described in our MD&A as at December 31, 2007. The following disclosures to the financial statements are in effect as of January 1, 2008:

### Financial Instruments

The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3862 requires the Company to increase the disclosure on the nature, extent and risk arising from the financial instruments and how the Company manages those risks. Refer to note 9 of the financial statements for further discussion.

**Capital Disclosures**

CICA Handbook Section 1535 requires the Company to disclose the Company's objectives, policies and processes for managing the capital structure. Refer to note 6 of the financial statements for further discussion.

**Future Accounting Policy Changes**

CICA Handbook Section 3064 "Goodwill and Intangible Assets" will be in effect beginning January 1, 2009. This new section applies to goodwill subsequent to initial recognition and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The new disclosure requirement is not expected to have an impact on the Company's financial statements.

*[ signed ]*

STUART C. SYMON, CMA  
Vice President Finance & Chief Financial Officer  
May 23, 2008

## BALANCE SHEETS

As at	March 31, 2008	December 31, 2007
<i>(000s) (unaudited)</i>	(\$)	(\$)
<b>Assets</b>		
Current		
Accounts receivable	13,206	10,270
Derivative instruments <i>(note 9)</i>	--	11
Prepaid expenses and other	1,109	1,120
Future tax asset <i>(note 7)</i>	751	--
	<b>15,066</b>	11,401
Property and equipment <i>(note 3)</i>	<b>133,825</b>	122,970
	<b>148,891</b>	134,371
<b>Liabilities</b>		
Current		
Bank debt <i>(note 4)</i>	22,588	25,770
Derivative instruments <i>(note 9)</i>	2,546	--
Accounts payable and accrued liabilities	26,325	17,450
	<b>51,459</b>	43,220
Future tax liability <i>(note 7)</i>	11,040	7,287
Asset retirement obligations <i>(note 5)</i>	1,766	1,403
	<b>64,265</b>	51,910
<b>Shareholders' Equity</b>		
Share capital <i>(note 6)</i>	68,874	69,922
Contributed surplus <i>(note 6)</i>	2,610	2,381
Retained earnings	13,142	10,158
	<b>84,626</b>	82,461
	<b>148,891</b>	134,371
<b>Commitments</b> <i>(note 11)</i>		
<b>Subsequent events</b> <i>(note 12)</i>		

See accompanying notes to the financial statements.

## STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

Three Months Ended March 31,	2008	2007
<i>(000s, except per share data) (unaudited)</i>	(\$)	(\$)
<b>Revenue</b>		
Oil and gas revenues	24,776	14,982
Realized derivative instrument gain	265	--
Unrealized derivative instrument (loss) gain	(2,557)	47
	<b>22,484</b>	15,029
Royalty expense	(7,603)	(4,970)
Interest revenue	5	--
	<b>14,886</b>	10,059
<b>Expenses</b>		
Operating	2,355	1,623
General and administrative	581	207
Interest	381	52
Stock-based compensation <i>(note 6)</i>	202	208
Depletion, depreciation and accretion	6,672	3,983
	<b>10,191</b>	6,073
<b>Income before income taxes</b>	<b>4,695</b>	3,986
<b>Income taxes</b>		
Future income tax <i>(note 7)</i>	1,711	1,214
<b>Net income for the period</b>	<b>2,984</b>	2,772
<b>Retained earnings – beginning of period</b>	<b>10,158</b>	508
<b>Retained earnings – end of period</b>	<b>13,142</b>	3,280
Net income per share <i>(note 6)</i>		
Basic	0.09	0.09
Diluted	0.08	0.08

See accompanying notes to the financial statements.

## STATEMENTS OF CASH FLOWS

Three Months Ended March 31, (000s) (unaudited)	2008 (\$)	2007 (\$)
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net income for the period	2,984	2,772
Add back non-cash items:		
Depletion, depreciation and accretion	6,672	3,983
Stock-based compensation	202	208
Unrealized loss (gain) on derivative instruments (note 9)	2,557	(47)
Future income tax	1,711	1,214
	14,126	8,130
Change in non-cash working capital (note 8)	(2,643)	(4,731)
	11,483	3,399
<b>Financing activities</b>		
Issue of common shares, net of share issue expenses	142	89
Increase in bank debt	(3,182)	11,595
	(3,040)	11,684
<b>Investing activities</b>		
Property and equipment additions	(17,036)	(17,975)
Change in non-cash working capital (note 8)	8,593	2,892
	(8,443)	(15,083)
<b>Net (decrease) increase in cash and cash equivalents</b>	--	--
<b>Cash and cash equivalents – beginning of period</b>	--	--
<b>Cash and cash equivalents – end of period</b>	--	--

See accompanying notes to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2008  
(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.

### 2. Accounting Policies

These financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. The disclosures provided below are incremental to those included with the annual financial statements. These interim financial statements should be read in conjunction with the financial statements and notes disclosed in the Company's annual report for the year ended December 31, 2007. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the Company for the year ended December 31, 2007, except for the following changes in accounting disclosures:

#### (a) Financial Instruments – Disclosure and Presentation

Effective January 1, 2008, the Company adopted new Canadian financial instrument disclosure standards, which outline the disclosure requirements for financial instruments and non-financial derivatives. The guidance prescribes an increased importance on risk disclosures associated with recognized and unrecognized financial instruments and how such risks are managed and disclosure of the significance of financial instruments on the Company's financial position. In addition, the guidance outlines revised requirements for the disclosure of quantitative information regarding exposure to risks arising from financial instruments.

#### (b) Capital Disclosures

Effective January 1, 2008, the Company adopted new Canadian capital disclosure standards. This new guidance requires disclosure about the Company's objectives, policies and process for managing capital. These disclosures include a description of what the Company manages as capital, the nature of externally imposed capital requirements, how the requirements are incorporated into the Company's management of capital, whether the requirements have been complied with, or consequences of non-compliance and an explanation of how the Company is meeting its objectives for managing capital. In addition, quantitative disclosures regarding capital are required.

### 3. Property and Equipment

	Cost	Accumulated Depletion and Amortization	Net Book Value
(000s)	(\$)	(\$)	(\$)
<b>March 31, 2008</b>			
Petroleum and natural gas properties	161,754	28,154	133,600
Office equipment	310	85	225
	<b>162,064</b>	<b>28,239</b>	<b>133,825</b>
December 31, 2007			
Petroleum and natural gas properties	144,278	21,524	122,754
Office equipment	288	72	216
	144,566	21,596	122,970

### 3. Property and Equipment (continued)

The Company capitalized \$261,000 (2007 – \$65,000) of direct general and administrative costs, \$92,000 (2007 – \$46,000) of stock-based compensation expense and \$126,000 (2007 – \$202,000) of operator overhead as related to its exploration and development activity for the period ended March 31, 2008.

Unevaluated and undeveloped properties with a cost of \$11,679,000 (2007 – \$11,367,000), 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 period ended March 31, 2008. As at period end, future development costs totaling \$13,140,000 (2007 – \$8,971,000) were included in amounts subject to depletion.

### 4. Bank Revolving Demand Loan

The Company established a revolving demand credit facility with a bank with a borrowing base of \$50,000,000, which will be reviewed by the bank on May 31, 2008. 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.

### 5. 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 2.0% and a credit adjusted risk-free interest rate of 8.0% to discount the future estimated cash flows of \$3,557,000, of which the majority of costs are expected to be incurred over a period of one to ten years. At March 31, 2008, the obligation was as follows:

Three Months Ended March 31,	2008	2007
(000s)	(\$)	(\$)
Balance – beginning of period	1,403	746
Liabilities incurred	333	350
Change in estimates	--	(32)
Accretion of asset retirement obligation	30	17
Balance – end of period	1,766	1,081

### 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.

## 6. Share Capital (continued)

### (b) Issued

	Three Months Ended		Year Ended	
	March 31, 2008		December 31, 2007	
	Shares	Amount	Shares	Amount
	(#)	(\$000s)	(#)	(\$000s)
<b>Common Shares</b>				
Balance – beginning of period	<b>34,522,908</b>	<b>69,922</b>	32,497,941	63,700
Common shares issued (i)	<b>91,666</b>	<b>207</b>	1,069,500	4,289
Flow-through shares issued (i)	--	--	955,467	4,586
Tax effect of flow-through shares (i)	--	<b>(1,255)</b>	--	(2,338)
Share issue costs	--	--	--	(445)
Tax benefit of share issue costs	--	--	--	130
<b>Balance – end of period</b>	<b>34,614,574</b>	<b>68,874</b>	34,522,908	69,922

### (i) Private Placements

In January 2008, the Company issued 91,666 common shares, resulting from the exercise of stock options.

In December 2007, the Company issued 1,039,500 common shares at \$4.00 per share and 955,467 flow-through common shares at \$4.80 per share for total proceeds of \$8,744,000. Under the terms of the flow-through agreement, the Company is committed to spend \$4,586,000 on qualified exploration and development expenditures by December 31, 2008. As at March 31, 2008, there was \$2,854,000 remaining to be expended on this commitment.

In January 2007, the Company issued 30,000 common shares resulting from the exercise of stock options.

	Three Months	Year Ended
	March 31, 2008	December 31, 2007
(000s)	(\$)	(\$)
<b>Contributed Surplus</b>		
Balance – beginning of period	<b>2,381</b>	1,136
Stock-based compensation expense – options	<b>294</b>	1,286
Reduction due to exercise of options	<b>(65)</b>	(41)
<b>Balance – end of period</b>	<b>2,610</b>	2,381

### (c) Per Share

Net income per common share is calculated using the weighted average number of shares outstanding during the period ended March 31, 2008 of 34,591,406 basic and 35,341,187 diluted (2007 – 32,522,941 basic and 33,695,859 diluted).

### (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 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, employee or consultant of the Company or six months after the involuntary withdrawal of the optionee.

## 6. Share Capital (continued)

### (d) Options Outstanding (continued)

The following summarizes information about stock options outstanding as at March 31, 2008:

	Options (#)	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2007	3,120,000	2.46
Granted in the period	<b>300,000</b>	<b>4.00</b>
Exercised in the period	<b>(91,666)</b>	<b>(1.55)</b>
Forfeited in the period	<b>(36,667)</b>	<b>(3.41)</b>
<b>Outstanding at March 31, 2008</b>	<b>3,291,667</b>	<b>2.61</b>

Exercise Price (\$)	Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Exercisable (#)	Weighted Average Exercise Price (\$)
<b>As at March 31, 2008</b>					
<b>1.00</b>	<b>1,138,334</b>	<b>1.6</b>	<b>1.00</b>	<b>1,166,660</b>	<b>1.00</b>
<b>3.00</b>	<b>1,008,333</b>	<b>2.7</b>	<b>3.00</b>	<b>696,649</b>	<b>3.00</b>
<b>3.75</b>	<b>410,000</b>	<b>3.4</b>	<b>3.75</b>	<b>156,667</b>	<b>3.75</b>
<b>3.90</b>	<b>435,000</b>	<b>4.5</b>	<b>3.90</b>	<b>--</b>	<b>3.90</b>
<b>4.00</b>	<b>300,000</b>	<b>5.0</b>	<b>4.00</b>	<b>--</b>	<b>4.00</b>
	<b>3,291,667</b>	<b>2.9</b>	<b>2.61</b>	<b>2,019,976</b>	<b>1.90</b>

The fair value of common share options granted during the period ended March 31, 2008 was estimated to be \$546,000 or \$1.82 per weighted average option (2006 – \$nil) as at the date of grant using the Black-Scholes option pricing model and the following assumptions:

Three Months Ended March 31,	2008	2007
Risk-free interest rate (%)	<b>4.50</b>	4.50
Expected life (years)	<b>5.00</b>	5.00
Expected volatility (%)	<b>45.00</b>	45.00
Expected dividend yield (%)	<b>0.00</b>	0.00

### (e) 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. Therefore, the Company endeavours to balance the proportion 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 and net debt (defined as the sum of current assets, current liabilities and bank debt) in the definition of capital.

## 6. Share Capital (continued)

### (e) Management of Capital Structure (continued)

The key measures that the Company utilizes in evaluating its capital structure are net debt to funds generated by 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 generated by operations is determined as net debt divided by funds generated by operations and represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds generated by operations stayed constant. Annualized first quarter 2008 funds generated by operations were \$56,500,000 (2007 – \$29,700,000), resulting in a net debt to funds generated by operations ratio of 0.7 (2007 – 1.1). This ratio is within an acceptable range for the Company of 2.0 or less.

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 generated by operations, such as foreign exchange and quality basis differential.

In order to maintain or adjust the capital structure, the Company will consider its forecasted net debt to forecasted funds generated by 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 quarter of 2008, the Company's strategy in managing its capital was unchanged.

## 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,	2008	2007
(000s)	(\$)	(\$)
Income before income tax	4,695	3,986
Tax rate	29.50%	32.12%
Computed income tax (recovery) provision	1,385	1,280
Increase (decrease) in income taxes resulting from:		
Rate adjustment	263	(135)
Stock-based compensation	60	67
Resource allowance	--	--
Crown royalties and charges	(4)	--
Non-deductible expenses	7	2
	1,711	1,214

## 7. Income Taxes (continued)

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, 2008	December 31, 2007
(000s)	(\$)	(\$)
Future income tax assets (liabilities)		
Non-capital losses carryforward	1,706	3,784
Share issue costs	534	599
Net book value of property and equipment in excess of tax basis	(13,797)	(12,077)
Unrealized loss (gain) on financial derivative instruments	751	(3)
Asset retirement obligation	517	410
Derivative instruments	(751)	--
Future income tax asset (liability)	(11,040)	(7,287)

## 8. Changes in Non-Cash Working Capital

Three Months Ended March 31,	2008	2007
(000s)	(\$)	(\$)
Accounts receivable	(2,936)	626
Prepaid expenses and other	11	230
Accounts payable and accrued liabilities	8,875	(2,695)
	5,950	(1,839)

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

Three Months Ended March 31,	2008	2007
(000s)	(\$)	(\$)
Investing	8,593	(4,731)
Operations	(2,643)	2,892
	5,950	(1,839)

## 9. Financial Instruments

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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

## 9. Financial Instruments (continued)

### (a) Credit Risk (continued)

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 March 31, 2008, 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 on bank debt. Accounts payable consists 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 generated by operations and available bank debt. The Company had no defaults or breaches on its bank debt of 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 utilizes financial derivative contracts to manage market risk. All such transactions are conducted in accordance with the risk management policy that has been approved the Board of Directors.

#### (i) Commodity Price Risk

Commodity price risk is the risk that the fair value or 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 indicated below. With regards to commodity prices, a \$0.10/mcf change in the sales price of natural gas would have impacted net earnings by approximately \$60,000 for the first quarter of 2008.

As at March 31, 2008, the Company had fixed the price applicable to future production through the following contracts:

Natural Gas	Volume	Pricing Point	Strike Price	Term
Fixed Price/				
Physical	1,600 GJ/d	AECO	CDN\$6.44/GJ	Nov.1/07 – Mar.31/08
Collar/Physical	1,500 GJ/d	AECO	CDN\$6.00/GJ (floor) – \$7.00/GJ (ceiling)	Nov.1/07 – Mar.31/08

## 9. Financial Instruments (continued)

### (c) Market Risk (continued)

#### (i) Commodity Price Risk (continued)

Natural Gas	Volume	Pricing Point	Strike Price	Term
Fixed Price/ Physical	4,700 GJ/d	AECO	CDN\$6.89/GJ	Apr.1/08 – Oct.31/08
Fixed Price/ Physical	500 GJ/d	AECO	CDN\$7.68/GJ	Apr.1/08 – Jun.1/08
Fixed Price/ Physical	2,500 GJ/d	AECO	CDN\$7.90/GJ	Jun.1/08 – Oct.31/08

The fair value of these contracts as at March 31, 2008 was a liability of \$2,546,000.

#### (ii) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that the fair value or 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 March 31, 2008.

#### (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 March 31, 2008. With regards to interest rate risk, a change of 1% in the effective interest rate would have impacted net earnings by approximately \$22,000 for the first quarter of 2008.

#### (d) Fair Value of Financial Assets and Liabilities

Financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable, accounts payable and bank debt. As at March 31, 2008, 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.

## 10. Related Parties

During 2008, expenses and share issue costs were recorded totaling \$251,000 (2007 – \$6,000) that were charged to the Company by a legal firm of which a Director of the Company is a partner, and \$13,000 (2007 – \$1,000) remained in accounts payable at March 31, 2008. These amounts are recorded at the exchange amounts agreed to by the related parties.

## 11. Commitments

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

<i>(000s)</i>	<i>(\$)</i>
2008	286
2009	381
2010	286
	<hr/>
	953

The Company is committed to spend \$4,586,000 on qualified exploration and development expenditures by December 31, 2008. As at March 31, 2008, there was \$2,854,000 remaining to be expended on this commitment.

## 12. Subsequent Events

Subsequent to March 31, 2008, the Company issued 30,000 options and 67,500 common shares at a price of \$4.00 per share to new employees.

In April 2008, the Board of Directors approved a stock appreciation rights plan for the Company's employees, which will allow up to 1,333,300 rights to be allocated at strike prices determined by the Board of Directors. In May 2008, 242,000 stock appreciation rights have been awarded at a price of \$4.00 per right and 223,000 stock appreciation rights have been awarded at a price of \$5.30 per right.

## CORPORATE INFORMATION

### Board of Directors

Gregg Fischbuch  
President & Chief Executive Officer  
Angle Energy Inc.

Noralee Bradley <sup>(3)</sup>  
Partner  
Osler Hoskin & Harcourt LLP

Clarence Chow <sup>(1) (2)</sup>  
President  
AGS Capital Management Ltd.

John Gareau <sup>(1) (3)</sup>  
Independent Businessman

Edward Muchowski <sup>(2)</sup>  
Independent Businessman

Timothy Dunne <sup>(1) (3)</sup>  
Independent Businessman

- (1) Audit Committee Member
- (2) Reserves Committee Member
- (3) Member of the Compensation Committee

### 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

### Head Office

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### Auditors

KPMG LLP

### Banker

ATB Financial

### Evaluation Engineers

GLJ Petroleum Consultants Ltd.

### Legal Counsel

Osler Hoskin & Harcourt LLP

### Transfer Agent

Valiant 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
GJ	gigajoules
GJ/d	gigajoules per day
mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
mmcf	million cubic feet
mmcf/d	million cubic feet per day

Natural gas is equated to oil on the basis of 6 mcf : 1 bbl



